

Independent Citizen's Bond Oversight Committee

Monday, March 16, 2015

Board Room

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Paramount Unified School District

Independent Citizen's Bond Oversight Committee

Monday, March 16, 2015 – 5:00 p.m.

Board Room

15110 California Avenue
Paramount, CA 90723

AGENDA

1. Welcome Michael Conroy
2. 2014 Proposition 39 General Obligation Bonds (Measure AA Bond Program) Michael Conroy
3. Other
4. Next Meeting:
 - June 15, 2015

December 16, 2014

To the Board of Education
The Citizen's Oversight Committee
Paramount Unified School District

Dear Board of Education and Citizens' Oversight Committee Members:

The District has issued bonds, Measure AA Bond Program, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution, and as such has engaged Vicenti, Lloyd & Stutzman LLP to perform an independent performance and financial audit of the bond proceeds from the sales of such bonds.

This letter is intended to inform the Board of Education (Board) and Citizens' Oversight Committee (COC) members about significant matters related to the conduct of the annual audits to appropriately discharge its oversight responsibility. In addition, professional standards require that we provide the Board with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audits. Our responsibility is described in our contract to management dated June 13, 2012. Professional standards also require that we communicate to you the following information related to our audits.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The significant accounting policies used by the District are described in Note 1 in the District's basic financial statements. No significant or unusual transactions or significant accounting policies related to controversial or emerging areas for which there is a lack of authoritative guidance or consensus were noted. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements is the allocation of prepaid amounts to the appropriate period of consumption and the recognition of estimated liabilities at the end of the fiscal year. We believe management's estimates are reasonable, based on our audit. The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

There were no difficulties encountered in dealing with management relating to the performance of the audits.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no audit adjustments to the original trial balance presented to us.

Uncorrected Misstatements

We accumulated uncorrected misstatements which were discussed with management and were determined by management to be immaterial to the basic financial statements. There were no uncorrected misstatements to the original trial balance presented to us.

Management Representations

We have requested certain representations from management including but not limited to the fair presentation of the financial statements, application of generally accepted accounting principles and management's responsibility for establishing and maintaining effective internal controls. These as well as other representations are included in the management representation letters, financial and performance, dated December 16, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. We are not aware of any consultations management had with other accountants regarding accounting or auditing matters.

Significant Issues Discussed with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Effective January 2014, Senate Bill 581 requires the annual financial and performance audits to be submitted to the Citizens' Oversight Committee when submitted to the school district. In addition the bill requires the governing board of the district to provide the Citizens' Oversight Committee with responses to findings addressed in the financial and performance audits within three months of receiving the reports. This second requirement is met as a matter of practice under *Government Auditing Standards* which requires the auditor to obtain and report the entity's planned corrective actions.

Senate Bill 584 is effective for the 2015-16 fiscal year and directs the State Controller, in consultation with the State Allocation Board, the Department of Finance, and the State Department of Education, to submit content related to financial and performance audits to the Education Audits Appeal Panel to be included in the annual audit guide. The impact to the scope of the audits as a result of this legislation is not known at this time.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Paramount Unified School District.

This report is intended solely for the information and use of management, the Board of Education, and members of the Citizen's Oversight Committee and is not intended to be, and should not be, used by anyone other than these specified parties.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

PARAMOUNT UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM**

FINANCIAL AND PERFORMANCE AUDITS

Fiscal Year Ending June 30, 2014

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
FINANCIAL AND PERFORMANCE AUDITS

June 30, 2014

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FINANCIAL AUDIT OF MEASURE AA BOND PROGRAM

INDEPENDENT AUDITOR'S REPORT

The Board of Education
The Citizens' Oversight Committee
Paramount Unified School District
15110 S. California Avenue
Paramount, CA 90723

Report on the Financial Statements

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure AA Bond Construction Fund of the Paramount Unified School District (the District) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's Measure AA Bond Construction Fund financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Education
Paramount Unified School District

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure AA Bond Construction Fund of the District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014 on our consideration of the District's internal control over the Measure AA Bond Construction Fund financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the Measure AA Bond Construction Fund financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over the Measure AA Bond Construction Fund financial reporting and compliance.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 16, 2014

PARAMOUNT UNIFIED SCHOOL DISTRICT
BALANCE SHEET
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
June 30, 2014

ASSETS

Cash in county treasury	\$ 2,830,050
Cash with fiscal agent	<u>30,062</u>
TOTAL ASSETS	<u>\$ 2,860,112</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 30,062
TOTAL LIABILITIES	<u>30,062</u>

FUND BALANCE

Restricted	<u>2,830,050</u>
TOTAL FUND BALANCE	<u>2,830,050</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,860,112</u>

See the accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE

PROPOSITION 39 GENERAL OBLIGATION BONDS

MEASURE AA BOND PROGRAM

For the Fiscal Year Ended June 30, 2014

REVENUES	
Other local sources	\$ 96
TOTAL REVENUES	<u>96</u>
EXPENDITURES	
Services and other operating expenditures	437,871
Debt service	<u>774,000</u>
TOTAL EXPENDITURES	<u>1,211,871</u>
Deficiency of revenues over expenditures	<u>(1,211,775)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of general obligation bonds	33,953,515
Repayment of bond anticipation note	<u>(30,752,431)</u>
TOTAL OTHER FINANCING SOURCES	<u>3,201,084</u>
Net change in fund balance	1,989,309
Fund Balance at Beginning of Year	<u>840,741</u>
Fund Balance at End of Year	<u><u>\$ 2,830,050</u></u>

See the accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Other local revenue	\$	\$ 96	\$ 96
TOTAL REVENUES	<u>-</u>	<u>96</u>	<u>96</u>
EXPENDITURES			
Services and other operating expenditures	438,372	437,871	501
Debt service	<u>2,519,374</u>	<u>774,000</u>	<u>1,745,374</u>
TOTAL EXPENDITURES	<u>2,957,746</u>	<u>1,211,871</u>	<u>1,745,875</u>
Deficiency of revenues over expenditures	<u>(2,957,746)</u>	<u>(1,211,775)</u>	<u>1,745,971</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of general obligation bonds	2,825,000	33,953,515	31,128,515
Repayment of bond anticipation note	<u></u>	<u>(30,752,431)</u>	<u>(30,752,431)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,825,000</u>	<u>3,201,084</u>	<u>376,084</u>
Net change in fund balance	<u>\$ (132,746)</u>	1,989,309	<u>\$ 2,122,055</u>
Fund Balance at Beginning of Year		<u>840,741</u>	
Fund Balance at End of Year		<u>\$ 2,830,050</u>	

See the accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Measure AA Bond Program related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, this statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Measure AA Bond Program of the District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

FUND BALANCE CLASSIFICATION

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the governmental fund financial statements present fund balance classifications that comprise a hierarchy based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts can be spent. Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation are considered restricted. The fund balance of the Measure AA Bond Program is therefore classified as restricted.

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Measure AA Bond Program are determined by its measurement focus. The Measure AA Bond Program is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Measure AA Bond Program are accounted for in the basic financial statements of the District.

ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – DEPOSITS:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial risk. As of June 30, 2014, all of the District's total bank balance of \$30,062 was exposed to credit risk as follows:

Uninsured and uncollateralized	\$30,062
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\$30,062 of the balance of the uninsured and uncollateralized amount is invested in U.S. Bank Money Market Demand Accounts and is fully backed by the credit of U.S. Bank, which is rated Aa3 by Moody's.

Cash in County

In accordance with Education Code Section 41001, the District maintains all of its cash in the Los Angeles County Treasury as part of the common investment pool. These pooled funds are carried at cost which may differ from fair value. The fair market value of the District's deposits for the measure AA Bond Program in this pool as of June 30, 2014, as provided by the pool sponsor, was \$2,823,755.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excess of expenditures over appropriations.

NOTE 4 – GENERAL OBLIGATION BONDS:

2006 Bonds

On November 7, 2006, the voters approved the issuance of bonds, not to exceed \$100,000,000, for the purpose of financing the acquisition, construction and modernization of District facilities.

The repayment of the debt related to the general obligations bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the Paramount Unified School District's basic financial statements. The recognition of premiums on bonds is recorded as long-term liabilities in the basic financial statements of the Paramount Unified School District.

A. 2006 Bonds – Series 2007

On August 28, 2007 the District offered for sale \$32,000,000 of general obligation bonds under the provisions of Title I, Division 1, Part 10, Chapters 1 and 1.5 of the State of California Education Code, commencing with Section 15100, as amended, and Article XIII A of the California Constitution and pursuant to resolutions adopted by the Board of Education of the District and by the Board of Supervisors of the County of Los Angeles.

Interest on the bonds is payable on each February 1 and August 1, beginning February 1, 2008. Principal of the bonds is payable on August 1 each year. Interest rates range from 4.25% to 5.25%.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

A. 2006 Bonds – Series 2007 (continued)

The annual requirements to amortize the Series 2007 Bonds payable, outstanding as of June 30, 2014, are as follows:

Year Ended June 30	Principal	Interest	Total
2015	\$ 260,000	\$ 1,367,749	\$ 1,627,749
2016	350,000	1,354,024	1,704,024
2017	450,000	1,336,024	1,786,024
2018	555,000	1,313,411	1,868,411
2019	565,000	1,289,059	1,854,059
2020-2024	4,705,000	5,912,316	10,617,316
2025-2029	8,870,000	4,191,602	13,061,602
2030-2033	11,140,000	1,235,850	12,375,850
Total	26,895,000	<u>\$18,000,035</u>	<u>\$44,895,035</u>
Unamortized bond premium*	<u>1,019,184</u>		
	<u>\$27,914,184</u>		

- * Proceeds received in excess of debt are added to the maturity amount on the Statement of Net Position and amortized to interest expense over the life of the liability. The bonds included a total premium of \$1,213,312. This amount is amortized using the straight-line method. Amortization of \$48,532 was recognized for fiscal year 2013-14.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

B. 2006 Bonds Series 2011

On November 29, 2011 the District offered for sale \$34,044,316 of general obligation bonds under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), Article XIII A of the California Constitution and pursuant to resolution to be adopted by the Board of Supervisors of the County of Los Angeles, pursuant to a request by the District.

Interest on the bonds is payable on each February 1 and August 1, beginning February 1, 2012. Principal of the bonds is payable on August 1 each year. Interest rates range from 2.0% to 12.0%.

The annual requirements to amortize the Series 2011 Bonds payable, outstanding as of June 30, 2014, are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest Component</u>	<u>Total</u>
2015	\$	\$ 563,500	\$	\$ 563,500
2016		563,500		563,500
2017	29,007	563,500	20,993	613,500
2018	72,285	563,500	67,715	703,500
2019	151,642	563,500	178,358	893,500
2020-2024	1,301,503	4,299,369	1,703,497	7,304,369
2025-2029	384,048	10,226,844	615,952	11,226,844
2030-2034	1,754,826	10,226,844	5,085,174	17,066,844
2035-2039	4,129,224	10,226,844	17,988,990	32,345,058
2040-2044	6,807,940	9,997,025	24,221,064	41,026,029
2045-2047	19,223,841	2,350,184	8,081,159	29,655,184
Total	<u>\$ 33,854,316</u>	<u>\$ 50,144,610</u>	<u>\$ 57,962,902</u>	<u>\$ 141,961,828</u>

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

C. 2006 Bonds Series 2013

On November 7, 2006, the voters approved the issuance of bonds, not to exceed \$100,000,000, for the purpose of financing the acquisition, construction and modernization of District facilities.

On December 11, 2013 the District offered for sale \$33,953,515 of general obligation bonds under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), Article XIII A of the California Constitution and pursuant to resolution to be adopted by the Board of Supervisors of the County of Los Angeles, pursuant to a request by the District.

Interest on the bonds is payable on each February 1 and August 1, beginning August 1, 2014. Principal of the bonds is payable on August 1 each year. Interest rates range from 2.0% to 12.0%. Interest will accrete on the capital appreciation bonds. Accreted interest accrued and is included in the long-term debt schedule for the current year in the amount of \$197,722.

Year Ended June 30,	Principal	Interest Payment	Accreted Interest Component	Total
2015	\$ 90,000	\$ 443,002	\$ -	\$ 533,002
2016	-	395,725	-	395,725
2017	25,000	395,351	-	420,351
2018	555,000	386,649	-	941,649
2019	645,000	368,650	-	1,013,650
2020-2024	1,731,123	1,794,875	1,868,877	5,394,875
2025-2029	2,362,293	1,794,875	2,292,707	6,449,875
2030-2034	6,166,685	1,713,763	4,563,315	12,443,763
2035-2039	5,066,810	983,750	18,221,999	24,272,559
2040-2044	5,157,956	983,750	27,999,507	34,141,213
2045-2049	8,985,063	885,375	45,636,106	55,506,544
2050-2052	3,168,585	-	38,362,149	41,530,734
Total	<u>\$ 33,953,515</u>	<u>\$ 10,145,765</u>	<u>\$ 138,944,660</u>	<u>\$ 183,043,940</u>

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

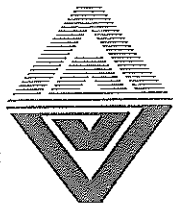
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 5 – 2006 BONDS SERIES 2011 ANTICIPATION NOTES, SERIES A AND B:

The District issued Bond Anticipation Notes Series A in the amount of \$34,000,000 and Series B \$30,000,000 on September 9, 2010 for the purpose of financing the acquisition, construction and modernization of District facilities. The Bond Anticipation Notes yield ranges from 1.37% to 2.56%. Series A was repaid on December 1, 2011 with the 2011 General Obligation Bond issued November 29, 2011. The amount to pay Series B was deposited in an escrow account from proceeds from the issuance of the General Obligation Bond 2006 Series 2013 and subsequently paid in September 2014. This debt is considered to be effectively defeased and is not included in outstanding debt at June 30, 2014.

NOTE 6 – CONSTRUCTION COMMITMENTS:

As of June 30, 2014, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$285,000.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
The Citizens' Oversight Committee
Paramount Unified School District
15110 S. California Avenue
Paramount, CA 90723

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure AA Bond Construction Fund of the Paramount Unified School District (the District), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's Measure AA Bond Construction Fund basic financial statements, and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over the Measure AA Bond Construction Fund financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure AA Bond Construction Fund financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 16, 2014

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014

There were no findings related to the financial audit of the Measure AA Bond Program for fiscal years ended June 30, 2013 or 2014.

**PERFORMANCE AUDIT OF
MEASURE AA BOND PROGRAM**



INDEPENDENT AUDITOR'S REPORT

The Board of Education
The Citizens' Oversight Committee
Paramount Unified School District
15110 S. California Avenue
Paramount, CA 90723

We have conducted a performance audit of the Paramount Unified School District (the District), Measure AA General Obligation Bond funds for the fiscal year ended June 30, 2014.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 19 of this report which includes determining the District's compliance with the performance requirements for the Proposition 39 Measure AA General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Sections 15264 and 15272 – 15286 of the California Education Code. Management is responsible for the District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of the District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution and certain provisions of Sections 15264 and 15272 – 15286 of the California Education Code. Accordingly, we do not express any assurance on internal control.

The results of our tests indicated that, for the fiscal year ended June 30, 2014, the District complied, in all significant respects, the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution and certain provisions of Sections 15264 and 15272 – 15286 of the California Education Code.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
December 16, 2014

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2014

BACKGROUND INFORMATION

In November 2000 the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school district's and community colleges, under certain circumstances and subject to certain conditions. In November, 2006, a general obligation bond proposition (Measure AA) of the District was approved by the voters of the District. Measure AA authorized the District to issue up to \$100,000,000 of general obligation bonds to finance various capital projects, and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39, and related State legislation, the Board of Education of the District established a Citizens' Oversight Committee and appointed its initial members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure AA bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure AA Bond Building Fund have been expended only for the authorized bond projects. Consistent with this provision, Section 15286 of the California Education Code requires the performance audit to be conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and be submitted to the Citizens' Oversight Committee by March 31st of each year.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2014

OBJECTIVES

The objectives of our performance audit were to:

- Determine the expenditures charged to the District Measure AA Bond Program.
- Determine whether expenditures charged to the Measure AA Bond Program have been made in accordance with the bond project list approved by the voters through the approval of Measure AA in November 2006.
- Note any incongruities, system weaknesses, or non-compliance with specific California Education Code sections related to bond oversight and provide recommendations for improvement.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2013 to June 30, 2014. The sample of expenditures tested were selected from object and project codes associated with the bond projects. However, not all planned projects incurred expenditures in the current year, and not all projects with expenditures were tested. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2014 were not reviewed or included within the scope of our audit or in this report.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2014

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2014, for the Measure AA funds including transfers of Measure AA funds made to other funds of the District, if any. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure AA Bond Program with regards to the approved bond projects list. We performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure AA election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2014, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- We verified on a sample basis that funds from the Measure AA Bond Program were expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified on a sample basis that Measure AA funds were not used for salaries of school administrators or other operating expenses of the District.

We reviewed documentation, including the District's website, to verify compliance with certain bond oversight requirements of the California Education Code, including the membership make-up of the Citizens' Oversight Committee, publication of committee proceedings, and issuance of an annual report to the public.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT
June 30, 2014

CONCLUSION

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures of the funds held in the Measure AA Bond Program and that such expenditures were made on authorized bond projects. Further, it was noted that Measure AA Bond Program held and expended by the District were not expended for salaries of school administrators or other operating expenditures.

In addition, the results of our tests indicate that, in all significant respects, the District complied with the applicable California Education Code requirements for which the purpose of a Citizens' Oversight Committee is established.

PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
PERFORMANCE AUDIT

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014

There were no findings related to the performance audit for the fiscal year ended June 30, 2014. In addition, there were no findings related to the performance audit for the fiscal year ended June 30, 2013.