

PARAMOUNT UNIFIED SCHOOL DISTRICT

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

FINANCIAL AUDIT

June 30, 2010

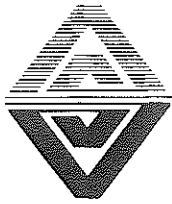
PARAMOUNT UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM

FINANCIAL AUDIT

June 30, 2010

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INDEPENDENT AUDITORS' REPORT

The 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, the basic financial statements of the Paramount Unified School District, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated December 6, 2010. We have also 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 Program of the Paramount Unified School District as of June 30, 2010. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Measure AA Bond Program 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Measure AA Bond Program are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Measure AA Bond Program financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Measure AA Bond Program of the Paramount Unified School District as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

The Board of Education
The Citizens' Oversight Committee
Paramount Unified School District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010 on our consideration of the Paramount Unified School District's internal control over the Measure AA Bond Program financial reporting and 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 Program financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

December 6, 2010

PARAMOUNT UNIFIED SCHOOL DISTRICT
BALANCE SHEET
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
June 30, 2010

ASSETS

Cash in County Treasury	\$ 181,163
TOTAL ASSETS	\$ 181,163

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 181,163
TOTAL LIABILITIES	181,163

FUND BALANCE

Designated for Special Purposes	-
TOTAL FUND BALANCE	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 181,163

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, 2010

REVENUES

Interest Income \$ 82,652

TOTAL REVENUES 82,652

EXPENDITURES

Capital Outlay 10,532,411

TOTAL EXPENDITURES 10,532,411

Excess of Expenditures Over Revenues (10,449,759)

Fund Balance at Beginning of Year, Before Restatement 10,534,872

Adjustment for Restatement (See Note 6) (85,113)

Fund Balance at Beginning of Year, After Restatement 10,449,759

Fund Balance at End of Year \$ -

See the accompanying notes to the financial statements.

PARAMOUNT UNIFIED SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL OBLIGATION BONDS
MEASURE AA BOND PROGRAM
For the Fiscal Year Ended June 30, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest Income	\$ 119,321	\$ 82,652	\$ (36,669)
TOTAL REVENUES	<u>119,321</u>	<u>82,652</u>	<u>(36,669)</u>
EXPENDITURES			
Capital Outlay	<u>10,532,411</u>	<u>10,532,411</u>	<u>-</u>
TOTAL EXPENDITURES	<u>10,532,411</u>	<u>10,532,411</u>	<u>-</u>
Excess of Expenditures Over Revenues	<u>\$ (10,413,090)</u>	<u>(10,449,759)</u>	<u>\$ (36,669)</u>
Fund Balance at Beginning of Year		10,534,872	
Adjustment for Restatement (See Note 6)		<u>(85,113)</u>	
Fund Balance at Beginning of Year, After Restatement		<u>10,449,759</u>	
Fund Balance at End of Year		<u>\$ -</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, 2010

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, these statements do not purport to present the result 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 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, 2010

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

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 Paramount Unified School 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.

NOTE 2 – DEPOSITS – CASH IN COUNTY TREASURY :

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, 2010, as provided by the pool sponsor, was \$181,572, which is 100.5816% of historical cost.

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, 2010

NOTE 3 – PURCHASE COMMITMENTS:

As of June 30, 2010, the Paramount Unified School District had approximately \$25,300,000 of commitments for ongoing construction projects.

NOTE 4 – GENERAL OBLIGATION BONDS:

2006 Bonds – Series 2007

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 August 15, 2007, the Paramount Unified School District (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.

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

The annual requirements to amortize Series 2007 Bonds payable, outstanding as of June 30, 2010, are as follows:

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – GENERAL OBLIGATION BONDS: (continued)

2006 Bonds – Series 2007 (continued)

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,510,000	\$ 1,459,923	\$ 2,969,923
2012	295,000	1,421,568	1,716,568
2013	420,000	1,406,374	1,826,374
2014	530,000	1,385,524	1,915,524
2015	260,000	1,367,749	1,627,749
2016-2020	2,595,000	6,555,199	9,150,199
2021-2025	5,425,000	5,663,541	11,088,541
2026-2030	9,890,000	3,699,151	13,589,151
2031-2033	<u>8,725,000</u>	<u>714,393</u>	<u>9,439,393</u>
Total	<u>\$ 29,650,000</u>	<u>\$ 23,673,422</u>	<u>\$ 53,323,422</u>

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 and the recognition of issuance costs is recognized as capitalized fees in the basic financial statements of the Paramount Unified School District.

NOTE 5 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations in the Measure AA Bond Program.

NOTE 6 – RESTATEMENT TO BEGINNING FUND BALANCE:

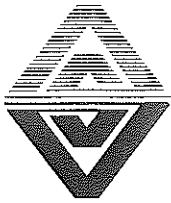
The beginning fund balance has been restated by \$(85,113) to transfer prior year voter approved project list expenses which were charged to the General Fund.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 – SUBSEQUENT EVENTS:

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 range from 1.37% to 2.56%. Series A is expected to be repaid on December 1, 2011. Series B is expected to be repaid on September 1, 2014. This issuance is part of the November 7, 2006 voter approved issuance of bonds, not to exceed \$100,000,000.



**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 the financial statements of the Paramount Unified School District (the District) as of and for the year ended June 30, 2010 and have issued our report thereon dated December 6, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Paramount Unified School District's internal control over the Measure AA Bond program financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

**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 over fund financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paramount Unified School District's 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*.

This report is intended solely for the information and use of management, Board, and 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

December 6, 2010

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

SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2010

There were no findings related to the financial audit of the Measure AA Bond Program for fiscal years ended June 30, 2009 or 2010.