

TUSTIN UNIFIED SCHOOL DISTRICT
CITIZENS' OVERSIGHT COMMITTEE
(School Facilities Improvement District No. 2002-1)

PERIOD COVERING - JULY 1, 2004 TO JUNE 30, 2005

ANNUAL REPORT

THIS REPORT IS HEREBY ADOPTED BY THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE (SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2002-1) PURSUANT TO EDUCATION CODE SECTION 15280(b) AND SUBMITTED TO THE PUBLIC IN CONFORMANCE WITH SUCH SECTION. THIS REPORT COVERS THE PERIOD OF FROM JULY 1, 2004 TO JUNE 30, 2005, AND CERTAIN RELATED MATTERS.

I. MEMBERSHIP OF THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE (School Facilities Improvement District No. 2002-1):

Citizens' Oversight Committee Members

The membership on the Tustin Unified School District Citizens' Oversight Committee during the period covered in this Annual Report included the following persons:

- Judy Shade (Parent/Guardian of Student)
- Lisa Frost (Parent/PTA Representative)
- John Secor (Business Organization)
- Bruce Junor (Senior Citizen Representative)
- Rich Wagner (Taxpayer Organization)
- Patrick Craig (Member at Large)
- George Jeffries (Member at Large)
- Steve Kozak (Member at Large)
- Jason Rush (Member at Large)

The following were the officers of the COC for the period covered by this Annual Report:

- Chairman, George Jeffries
- Vice Chairman, Lisa Frost
- Secretary, Leticia Barrozo

II. ACTIVITIES OF THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE:

Minutes describing the activities of the Tustin Unified School District Citizens' Oversight Committee are available as public reports and are available on the Committee website.

For more complete descriptions of actions by the Tustin Unified School District (District) Citizens Oversight Committee (COC) please see Minutes of the corresponding meeting posted on the COC Website. All approved Minutes and Annual Reports are, and have been, posted on the COC Website: <http://www.tusdmeasureg.org/>.

Additional documents and reports are posted in the COC Website in accordance with the directives of the COC.

III. CITIZENS' OVERSIGHT COMMITTEE (COC) FINDINGS FOR FISCAL YEAR 2004/2005:

In order to comply with the requirements of Proposition 39, the COC needs to make certain findings as to activities of the COC and the use and expenditure of Measure G Bond proceeds. The COC hereby finds and determines as follows:

1. COC has met regularly.

The meetings of the COC are briefly described above. Minutes of the COC meetings are on file with the School District and are posted on the COC Website at <http://www.tusdmeasureg.org/html/about/about.htm>. Agendas for meetings of the COC are also posted on that website.

In addition, the COC Chairman has been actively involved, and has met regularly with School District staff to coordinate the presentation of information to the COC as a whole and was involved with the selection of the outside auditors to perform the annual financial and performance audits relating to the Measure G Bond funds and their expenditure.

2. COC has received reports, updates, and information on the expenditure of the Measure G Bond funds, and reviewed project expenditures made on projects authorized under Measure G.

The COC has received various reports (both written and oral), including, but not limited to, construction and project timelines, has taken tours, has received written and oral updates and reports on expenditures relating to the Measure G Bond funds. Those reports and documents are briefly described in the Minutes of meetings, as described above.

A complete list of the reports provided to the COC is available at the School District offices for public review upon request. Information on COC handouts and documents is also located on the COC Website - <http://www.tusdmeasureg.org/html/about/about.htm>.

3. The COC has Visited Schools and Project Sites.

These visits included the school sites mentioned in the Committee minutes.

4. Measure G Series A Bond funds have been expended on the identified projects authorized by Measure G (Education Code Section 15278(b)(1)).

Based on the documentation and information provided to the COC, as referenced herein, the COC has found, pursuant to Education Code Section 15278(b)(1) that the expenditures of Measure G Bond funds by the School District have been made on costs, expenses and construction/acquisition/installation costs of projects authorized by Measure G.

The specific projects authorized by Measure G are posted on the COC website at <http://www.tusdmeasureg.org/html/about/about.htm>. Construction updates on the Measure G projects can also be found at that same website.

5. No Measure G monies have been spent on teacher/administrator salaries or other school operating expenses (Education Code Section 15278(b)(2) unrelated to the Bond issue.

Based on the documentation and information provided to the COC, as referenced herein, the COC has found, pursuant to Education Code Section 15278(b)(2) that the School District has not expended Measure G Bond funds on teacher/administrator salaries or other school operating expenses.

6. 2004-05 Audit Reports were reviewed, received and filed with the COC.

The required annual performance and financial audits for Fiscal Year 2004-2005 were performed by the accounting firm of Nigro, Nigro & White, PC. The audit reports were reviewed, received and filed by action of the COC. Copies of the audits are attached to this Annual Report as Attachments "A" and "B" and incorporated herein by this reference. The COC notes that the audits did not report any irregularities or failures to comply with statutory and Constitutional requirements (i.e. the audits are "clean"). The 2004-05 audit reports can be viewed on the internet at <http://www.tusdmeasureg.org/html/audit-reports/audit.htm>.

7. The COC has received all necessary and requested technical and administrative assistance from the School District (Education Code Section 15280).

Under the requirements of Education Code Section 15280, the School District is required to provide the COC with all necessary technical and administrative assistance without expending Measure G Bond funds. The School District has made presentations to the COC, provided documents and information as set forth

herein, and has provided necessary and requested architectural, construction management, legal and planning support and assistance to the COC. Based on the foregoing, and the documentation and information provided to the COC, as referenced herein, the COC has found that the School District has provided all necessary and requested technical and administrative assistance without expending Measure G Bond funds.

8. COC Website is operating and includes all required documentation and information (Education Code Section 15280(b)).

The COC internet website is operated and maintained by the School District Board on behalf of the COC and is currently located at <http://www.tusdmeasureg.org/>. Information relating to the COC, its activities and documents can be viewed at the COC website. This includes minutes of the COC meetings, lists of documents received by the COC, the 2004-2005 audit reports and other reports issued by, and presented to, the COC, which will include this Annual Report following its adoption.

9. Based on the foregoing, the Tustin Unified School District is in compliance with the requirements of Article XIII A 1(b)(3) of the California Constitution.

IV. CONTACT INFORMATION:

Comments, questions and suggestions can be forwarded to the COC through the School District at the following address:

Tustin Unified School District
300 South C Street
Tustin, CA 92780

Attn: Brock Wagner, Deputy Superintendent of Business Services
Telephone: Phone: (714) 730-7301, Ext. 302
Facsimile: Fax: (714) 505-8397

or on the COC website by e-mail at: bwagner@tustin.k12.ca.us

Dates, times and location(s) of COC meetings can be found on the COC website. Members of the public are invited to attend.

ADOPTED, SIGNED AND APPROVED BY THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE ON APRIL 18, 2007.

Secretary

ATTACHMENT "A"
COPY OF ANNUAL FINANCIAL AUDIT
(2004-2005 Fiscal Year)

**MEASURE "G"
GENERAL OBLIGATION BOND
BUILDING FUND OF
TUSTIN UNIFIED SCHOOL DISTRICT**

**COUNTY OF ORANGE
TUSTIN, CALIFORNIA**

**AUDIT REPORT
June 30, 2005**

**MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF
TUSTIN UNIFIED SCHOOL DISTRICT
AUDIT REPORT
June 30, 2005**

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NIGRO NIGRO & WHITE, PC

A PROFESSIONAL ACCOUNTANCY CORPORATION

Jeff Nigro, CPA
Elizabeth Nigro, CPA
Christy White, CPA

The Board of Trustees and the
Citizens' Bond Oversight Committee
Tustin Unified School District
Tustin, California

INDEPENDENT AUDITORS' REPORT

Temecula Office
One Ridgeway Drive
Suite 225
Temecula, CA 92590
Phone: 951.698.8783
Fax: 951.699.1064

We have audited the accompanying balance sheet of the Measure "G" General Obligation Bond Building Fund (the "Fund") of Tustin Unified School District (the "District") as of June 30, 2005, and the related statement of revenues, expenditures and changes in fund balance as of and for the fiscal year ended June 30, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

San Diego Office
2727 Camino Del
Rio South, Suite 219
San Diego, CA 92108
Phone: 619.270.8222
Fax: 619.260.9085

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial and performance 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 that our audit provides a reasonable basis for our opinions.

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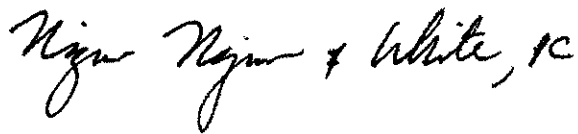
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As discussed in Note 1A, the financial statements present only the individual Measure "G" General Obligation Bond Building Fund and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure "G" General Obligation Bond Building Fund of Tustin Unified School District, as of June 30, 2005, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005 on our consideration of the Measure "G" General Obligation Bond Building Fund of Tustin Unified School District's internal control over 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Temecula, California
September 23, 2005

FINANCIAL SECTION

**MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF
TUSTIN UNIFIED SCHOOL DISTRICT**

Balance Sheet

June 30, 2005

ASSETS	
Cash	\$ 1,552,667
Accounts receivable	<u>1,857</u>
Total Assets	<u>\$ 1,554,524</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	<u>\$ 113,621</u>
Total Liabilities	<u>113,621</u>
Fund Balances	
Unreserved	<u>1,440,903</u>
Total Liabilities and Fund Balance	<u>\$ 1,554,524</u>

The notes to the financial statements are an integral part of this statement.

**MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF
TUSTIN UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Fiscal Year Ended June 30, 2005**

REVENUES	
Interest earnings	<u>\$ 36,468</u>
 EXPENDITURES	
Materials and Supplies	283,007
Services and other operating expenditures	215,766
Capital outlay	<u>7,061,979</u>
Total Expenditures	<u>7,560,752</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,524,284)
Fund Balance, June 30, 2004	<u>8,965,187</u>
Fund Balance, June 30, 2005	<u><u>\$ 1,440,903</u></u>

**MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF
TUSTIN UNIFIED SCHOOL DISTRICT**

Notes to Financial Statements

June 30, 2005

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On November 5, 2002 the District voters authorized \$80,000,000 in General Obligation Bonds (Measure "G") for the purpose of financing the repair and construction of school facilities within the District. The measure was approved when more than 55% of the persons voting on the proposition voted to authorize the issuance and sale of general obligation bonds. The Committee's oversight goals include reviewing and reporting on the proper expenditure of taxpayers' money for school construction, that bond funds are spent on projects included on the ballot, and that annual independent performance and financial audits are performed.

On June 26, 2003, the District issued the first series of bonds, Series A, in the amount of \$15,000,000. The bond proceeds and uses are accounted for in the District's Bond Building Fund. The statements presented are for the individual Measure "G" General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

B. Accounting Policies

The Tustin Unified School District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

**MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF
TUSTIN UNIFIED SCHOOL DISTRICT**
Notes to Financial Statements
June 30, 2005

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

The financial statements of the Measure "G" General Obligation Bond Building Fund are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

D. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30. If there is a balance on a contract encumbered at year end that has not yet been earned, the balance is moved as an encumbrance into the next fiscal year. This allows for continuity in tracking contracts.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

In accordance with Education Code Section 41001, the Fund maintains a portion of its cash in the County Treasury as part of the common investment pool (\$1,552,667 as of June 30, 2005). The fair market value of the investment in this pool as of June 30, 2005, as provided by the pool sponsor, was \$1,552,443. 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.

**MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF
TUSTIN UNIFIED SCHOOL DISTRICT**

**Notes to Financial Statements
June 30, 2005**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2005 in the amount of \$1,857 represent the amount due from the County Treasurer for interest earnings for the quarter ended June 30, 2005.

NOTE 4 – MEASURE "G" GENERAL OBLIGATION BONDS

On June 26, 2003, the District issued Series A of the Election of 2002 General Obligation Bonds in the amount of \$15,000,000. The bonds were authorized at a regularly scheduled election of the registered voters of the District held on November 5, 2002, at which more than 55% of the voters authorized the issuance and sale of \$80 million of general obligation bonds to finance the construction of new facilities, such as multipurpose rooms, renovation and improvements of existing schools and to fund a portion of the cost of the construction of a new elementary school. The bonds consist of: a) Serial Bonds of \$8,960,000 with interest rates ranging from 2.0% to 4.5% and fully maturing on July 1, 2018, b) Term Bonds of \$2,645,000 with a stated interest rate of 5% due on July 1, 2023, and c) Term Bonds of \$3,395,000 with a stated interest rate of 5.125% and maturing on July 1, 2028. At June 30, 2005 the principal balance outstanding was \$13,800,054, which includes \$605,054 of unamortized bond issuance premiums.

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal*	Interest	Total
2005-06	\$ 2,305,000	\$ 520,619	\$ 2,825,619
2006-07	310,000	471,419	781,419
2007-08	320,000	464,719	784,719
2008-09	325,000	457,057	782,057
2009-10	335,000	447,968	782,968
2010-15	1,830,000	2,065,794	3,895,794
2015-20	2,210,000	1,666,720	3,876,720
2020-25	2,775,000	1,077,463	3,852,463
2025-29	2,785,000	294,559	3,079,559
	<u>\$ 13,195,000</u>	<u>\$ 7,466,318</u>	<u>\$ 20,661,318</u>

*Does not include \$605,054 of unamortized bond insurance premium.

**MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF
TUSTIN UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2005**

NOTE 5 – CONSTRUCTION COMMITMENTS

As of June 30, 2005, the District has commitments with respect to unfinished capital projects of approximately \$6.6 million.

OTHER INDEPENDENT AUDITORS' REPORTS

NIGRO NIGRO & WHITE, PC

A PROFESSIONAL ACCOUNTANCY CORPORATION

Jeff Nigro, CPA
Elizabeth Nigro, CPA
Christy White, CPA

Measure "G" Bond Oversight Committee
Tustin Unified School District
Tustin, California

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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*

We have audited the accompanying balance sheet of the Measure "G" General Obligation Bond Building Fund of Tustin Unified School District (the "District") as of June 30, 2005, and the related statement of revenues, expenditures and changes in fund balance as of and for the year ended June 30, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

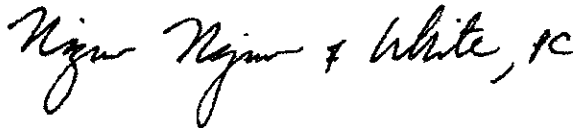
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Measure "G" General Obligation Bond Building Fund of Tustin Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure "G" General Obligation Bond Building Fund of Tustin Unified School District's 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Measure "G" Bond Oversight Committee, the District Governing Board, management, and the taxpayers of Tustin Unified School District and is not intended to be and should not be used by anyone other than the specified parties.



Temecula, California
September 23, 2005

ATTACHMENT "B"
COPY OF ANNUAL PERFORMANCE AUDIT
(2004-2005 Fiscal Year)

INIGRO INIGRO & WHITE, PC

A PROFESSIONAL ACCOUNTANCY CORPORATION

Jeff Nigro, CPA
Elizabeth Nigro, CPA
Christy White, CPA

The Board of Trustees and the
Citizens' Bond Oversight Committee
Tustin Unified School District
Tustin, California

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Temecula Office

One Ridgeway Drive
Suite 225
Temecula, CA 92590
Phone: 951.698.8783
Fax: 951.699.1064

We have audited the financial statements of the Measure "G" General Obligation Bond Building Fund of Tustin Unified School District (the "District") as of and for the year ended June 30, 2005 and have issued our report thereon dated September 23, 2005. Our audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

San Diego Office

2727 Camino Del
Rio South, Suite 219
San Diego, CA 92108
Phone: 619.270.8222
Fax: 619.260.9085

In connection with our audit, we also performed an audit for compliance as required in the performance requirements for the Proposition 39 Measure "G" General Obligation Bond for the fiscal year ended June 30, 2005. The objective of the examination of compliance applicable to the District is to determine with reasonable assurance that the proceeds from the sale of the bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, including teacher and administrator salaries and other operating expenses.

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Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measure "G" General Obligation Bond proceeds listed and tested above.

This report is intended for the information of the Board of Trustees, management and the Citizens' Oversight Committee; however, this report is a matter of public record.



Temecula, California
September 23, 2005