

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

PERIOD COVERING - JULY 1, 2009 TO JUNE 30, 2010

**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, 2009 TO JUNE 30, 2010, 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:

- David Albus (*Member at Large Representative*)
- Jim Cronn (*Parent/Guardian of Student Representative*)
- Chris Cummins (*Parent/Guardian of Student Representative*)
- Jill Leach (*Senior Citizen Representative*)
- Bill Pevehouse (*Business Organization Representative*)
- Simon Russek (*Member at Large Representative*)
- Amy Tanaka (*Parent/PTA Representative*)
- Merlin L. Henry (*Committee Alternate Representative*)

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

- President, Bill Pevehouse
- Vice President, Jim Cronn
- 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 2009/2010:**

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>. Agendas for meetings of the COC are also posted on that website.

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 certain COC handouts and documents is also located on the COC Website.

3. The COC has Visited Schools and Project Sites.

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

4. Measure G Series C 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>. 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. 2009-10 Audit Reports were reviewed, received and filed with the COC.

The required annual performance and financial audits for Fiscal Year 2009-2010 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 comply with statutory and Constitutional requirements. There was only one finding regarding the Oversight Committee Formation in which the Committee is missing a representative from a bona fide taxpayers' organization. The District recognizes the importance of appropriate committee member representation and is in the process of advertising for a tax payer representative to fill the vacant position. The 2009-10 audit reports can be viewed on the internet at <http://www.tusdmeasureg.org>.

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, the 2009-2010 audit reports and other reports issued by 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: Anthony Soria, Chief Financial Officer  
Telephone: Phone: (714) 730-7301, Ext. 302  
Facsimile: Fax: (714) 505-8397

or on the COC website by e-mail at: [asoria@tustin.k12.ca.us](mailto:asoria@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 MARCH 9, 2011.

Secretary



**ATTACHMENT "A"**  
**COPY OF ANNUAL FINANCIAL AUDIT**  
**(2009-2010 Fiscal Year)**

**MEASURE "G" GENERAL OBLIGATION  
BOND BUILDING FUND OF  
TUSTIN UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2010**



**MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF  
TUSTIN UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2010  
Table of Contents**

---

	<u>Page</u>
Independent Auditors' Report.....	1

**FINANCIAL SECTION**

Financial Statements:	
Balance Sheet.....	2
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	3
Notes to Financial Statements .....	4

**OTHER INDEPENDENT AUDITORS' REPORTS**

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	10
Independent Auditors' Report on Performance.....	12

**FINDINGS AND RESPONSES**

Schedule of Audit Findings and Responses .....	15
Schedule of Prior Audit Findings .....	16



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

## INDEPENDENT AUDITORS' REPORT

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, 2010, and the related statement of revenues, expenditures and changes in fund balance as of and for the fiscal year ended June 30, 2010. These financial statements are the responsibility of the District's management. 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 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 opinion.

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, 2010, 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 December 16, 2010 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 considered in assessing the results of our audit.

December 16, 2010



---

---

*Financial Section*

---

---

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

**Balance Sheet**

**June 30, 2010**

---

<b>ASSETS</b>	
Cash	\$ 26,665,473
Accounts receivable	21,069
Due from other funds	<u>21,760</u>
<b>Total Assets</b>	<b>\$ <u>26,708,302</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 1,537,485
<b>Fund Balances</b>	
Unreserved	<u>25,170,817</u>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>26,708,302</u></b>

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**  
**For the Fiscal Year Ended June 30, 2010**

---

<b>REVENUES</b>	
Interest earnings	\$ 208,301
<b>Total Revenues</b>	<u>208,301</u>
<b>EXPENDITURES</b>	
Plant Services:	
Materials and supplies	310,894
Services and other operating expenditures	188,318
Capital outlay	14,481,503
Other Outgo:	
Debt service - issuance costs	<u>357,488</u>
<b>Total Expenditures</b>	<u>15,338,203</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(15,129,902)</u>
<b>OTHER FINANCING SOURCES/(USES)</b>	
Proceeds from bonds	24,998,556
Bond issuance premium	<u>357,488</u>
<b>Total Other Financing Sources/(Uses)</b>	<u>25,356,044</u>
<b>Net Change in Fund Balance</b>	10,226,142
<b>Fund Balance, July 1, 2009</b>	<u>14,944,675</u>
<b>Fund Balance, June 30, 2010</b>	<u><u>\$ 25,170,817</u></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

Notes to Financial Statements

June 30, 2010

---

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On November 5, 2002 the District voters authorized \$80 million 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 July 17, 2003, the District issued the first series of bonds, Series A, in the amount of \$15,000,000. On June 15, 2006, the District issued the second series of bonds, Series B, in the amount of \$17,350,000 and a refunding bond in the amount of \$8,604,947. On May 1, 2008, the District issued the third series of bonds, Series C, in the amount of \$22,649,972. On March 10, 2010, the District issued the final series of bonds, Series D, in the amount of \$14,998,556 and Sub-Series D-1, Build America Bonds, in the amount of \$10,000,000.

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).

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

Notes to Financial Statements

June 30, 2010

---

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

**Notes to Financial Statements**

**June 30, 2010**

---

**NOTE 2 – CASH**

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with no restriction on the percentage held in each authorized investment in relation to the District's entire investment portfolio.

*Cash in County Treasury* – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

The authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its web site. The table below identifies some of the investment types permitted in the investment policy:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Agency Securities	5 years	None	None
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None

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

**Notes to Financial Statements**

**June 30, 2010**

---

**NOTE 2 – CASH (continued)**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Orange County Investment Pool with a fair value of approximately \$26,682,006 and an amortized book value of \$26,665,473. The average weighted maturity for this pool is 304 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Orange County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2010.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2010 in the amount of \$21,069 represent the amount due from the County Treasurer for interest earnings for the month ended June 30, 2010.

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

**Notes to Financial Statements**

**June 30, 2010**

---

**NOTE 4 – INTERFUND TRANSACTIONS**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**A. Due From/Due To Other Funds**

Interfund receivables and payable balances as of June 30, 2010 are as follows:

County School Facilities Fund due to Building Fund for stadium repairs	<u>\$ 21,760</u>
--	------------------

**NOTE 5 – MEASURE "G" GENERAL OBLIGATION BONDS**

The District authorized bonds 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.

A summary of outstanding general obligation bonds follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2009	Adjustments for Restatements	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010
2002A	7/17/2003	2028	2.00% - 5.125%	\$ 15,000,000	\$ 1,760,000	\$ (320,000)	\$ 1,440,000	\$ -	\$ 345,000	\$ 1,095,000
2002B	6/15/2006	2031	4.25% - 5.00%	17,350,000	11,155,000	-	11,155,000	-	310,000	10,845,000
Refunding	6/15/2006	2014	3.82% - 4.34%	8,604,947	5,296,284	-	5,296,284	-	1,293,697	4,002,587
2002C	5/7/2008	2032	4.00% - 5.00%	22,649,972	22,119,333	-	22,119,333	-	700,181	21,419,152
2002D	3/10/2010	2035	2.58% - 6.05%	24,998,556	-	-	-	24,998,556	-	24,998,556
				<u>\$ 88,603,475</u>	<u>\$ 40,330,617</u>	<u>\$ (320,000)</u>	<u>\$ 40,010,617</u>	<u>\$ 24,998,556</u>	<u>\$ 2,648,878</u>	<u>\$ 62,360,295</u>



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

**Notes to Financial Statements**

**June 30, 2010**

---

**NOTE 5 – MEASURE "G" GENERAL OBLIGATION BONDS (continued)**

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

Fiscal Year	Principal	Interest	Total
2010-11	\$ 2,561,529	\$ 2,233,184	\$ 4,794,713
2011-12	2,488,189	3,317,234	5,805,423
2012-13	2,248,792	3,330,641	5,579,433
2013-14	1,742,140	3,442,217	5,184,357
2014-15	1,275,857	2,455,251	3,731,108
2015-20	8,956,561	12,930,488	21,887,049
2020-25	13,309,736	16,708,594	30,018,330
2025-30	17,237,491	11,499,434	28,736,925
2030-35	12,540,000	2,109,993	14,649,993
Total	<u>\$ 62,360,295</u>	<u>\$ 58,027,036</u>	<u>\$ 120,387,331</u>

**NOTE 6 – CONSTRUCTION COMMITMENTS**

As of June 30, 2010, the District had commitments with respect to unfinished capital projects of approximately \$11.75 million.

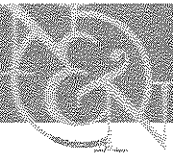
---

---

*Other Independent Auditors' Reports*

---

---



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

**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, 2010, and the related statement of revenues, expenditures and changes in fund balance as of and for the year ended June 30, 2010. 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 Tustin Unified School District's internal control over 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 Tustin Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tustin Unified School 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

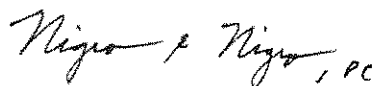
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2010-1.

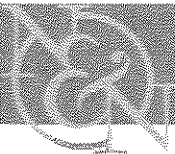
Tustin Unified School District's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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.

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

December 16, 2010

**ATTACHMENT "B"**  
**COPY OF ANNUAL PERFORMANCE AUDIT**  
**(2009-2010 Fiscal Year)**



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

## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

We have examined the Tustin Unified School District's compliance with the performance requirements for the Proposition 39 Measure "G" General Obligation Bond for the fiscal year ended June 30, 2010, under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

### Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- The expenditures charged to the Tustin Unified School District Building Fund (subfunds 2121-2124) are appropriate.
- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure "G".
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

### Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2009 to June 30, 2010. The expenditures tested included all object and project codes associated with the bond projects. 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 also included within the scope of our audit.

Expenditures incurred subsequent to June 30, 2010 were not reviewed or included within the scope of our audit or in this report.

### Procedures Performed

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2010 for the Building Fund (subfunds 2121-2124). 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 "G" with regards to the approved bond projects list.

We performed the following procedures:

To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.
- We tested payments made to the construction management company and reviewed the terms of the contract.
- We tested approximately \$6.9 million in bond fund invoices paid, which is a combination of 2009-10 expenditures and payments on liabilities accrued as of June 30, 2010 and paid in 2010-11. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our testing included payments made to the construction management company, subcontractors and other vendors.
- We reviewed the approved project listing as set out in the Measure "G" election documents.
- We visited construction sites to ensure that expenditures made corresponded with the actual work performed at the site.
- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.
- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.

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' Bond Oversight Committee; however, this report is a matter of public record.

*Nigro & Nigro, PC*

December 16, 2010



MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF  
TUSTIN UNIFIED SCHOOL DISTRICT  
Schedule of Audit Findings and Responses  
June 30, 2010

---

Finding 2010-1: Oversight Committee Formation

In accordance with Education Code Section 15282, the citizens' oversight committee shall consist of at least seven members to serve for a term of two years without compensation and for no more than two consecutive terms. While consisting of a minimum of at least seven members, the citizens' oversight committee shall be comprised of representatives from five specific groups. The District currently has representatives from four groups, but is missing the representative from the bona fide taxpayers' organization and has not been actively advertising to fill the position.

**Recommendation:** We recommend the District advertise to fill the bona fide taxpayers' organization position in order to have members from all five representative groups.

**District Response:** The District recognizes the importance of appropriate committee member representation and is in the process of advertising for a tax payer representative to fill the vacant representative position.

MEASURE "G" GENERAL OBLIGATION BOND BUILDING FUND OF  
TUSTIN UNIFIED SCHOOL DISTRICT  
Schedule of Prior Audit Findings  
June 30, 2010

---

*There were no audit findings during 2008-09.*