

**Measure L Bond  
Citizens' Oversight Committee  
Annual Report  
2016-2017**

**Letter from Citizens' Oversight Committee**

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October 18, 2017

To: The Board of Education and the Tustin Unified School District Community

The Citizens' Oversight Committee is pleased to forward its final annual report on the \$95 million School Facilities Improvement District No. 2008-1 Measure L Bond Program. This report covers the 2016-2017 fiscal year and concludes that the program was successfully completed on budget. Please note that the principal duties of the Committee are to:

1. Ensure that Bond proceeds are expended for the purposes described in the Bond ballot language.
2. Report the program's progress to the public.
3. Provide an annual report and compliance statement.

A Districtwide Facilities Needs Assessment was prepared in addition to comprehensive Master Plans for Foothill and Tustin High Schools. These reports served as the roadmap for facilities improvements and were to be revisited and modified if needed, based on changing priorities and/or bid climate. Looking back to 2008, the following categories were identified as allocation priorities:

- Health & Safety
- ADA Compliance
- Building Integrity
- School Modernization
- Activity Centers

Since the bond initially passed in November 2008 for \$95 million, the following bond series were issued:

- Series A Bonds – \$25 million in March 2010, begins with Phase I:
  - Foothill High School Swimming Pool Replacement
  - Foothill High School Locker Room Remodel
  - Foothill High School Event Center
  - Tustin High School Sports Pavilion
  - Tustin High School Deck Replacement
  - Foothill High School Tennis/Athletic Fields
- Series B Bonds – \$25 million in June 2011, begins with Phase II:
  - Middle School Activity Centers: Columbus Tustin, Currie, Hewes, and C. E. Utt middle schools
  - Currie Middle School Modernization of Buildings 400/500/600

- Series C Bonds – \$25 million in August 2013, begins with Phase III:
  - District Stadium Upgrades
  - Tustin High School All-Weather Track
  - Foothill High School, All-Weather Track and Parking
  - Tustin High School Cafeteria Modernization
  - Tustin High School Building 300 Modernization
- Series D Bonds – \$20 million in February 2015, begins with Phase IV:
  - Tustin High School Administration/Entry Remodel
  - Tustin High School Humanities Building
  - Tustin High School T-Tech Expansion
  - Lambert Elementary School Field Upgrades
  - Thorman Elementary School Modernization Projects

The Master Plans were revisited at the midway point of Measure L and some projects were re-prioritized based on changes to bid climate, changing campus needs, and most importantly based on feedback from school staff, students, and the community at large. These needs were defined, coordinated and funded with remaining Measure L funds.

Nigro & Nigro, PC, completed the final annual financial, independent financial, and performance audit reports for Measure L bond expenditures. The audit reports disclosed no instances of non-compliance with the terms of Proposition 39 or the terms of the Bond measure as approved by District voters. The Committee, relying on this audit report, is pleased to report that to the best of its knowledge the Tustin Unified School District is in full compliance with its responsibilities as described in Article XIII A, Section 1(b)(3) of the California State Constitution.

**TUSTIN UNIFIED SCHOOL DISTRICT**  
**CITIZENS' OVERSIGHT COMMITTEE**  
*(School Facilities Improvement District No. 2008-1)*

**Measure L**  
**Annual Report**  
**2016-17**

THIS REPORT IS HEREBY ADOPTED BY THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE (SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2008-1) PURSUANT TO EDUCATION CODE SECTION 15280(b) AND SUBMITTED TO THE PUBLIC IN CONFORMANCE WITH SUCH SECTION. THIS REPORT COVERS THE PERIOD FROM JULY 1, 2016 TO JUNE 30, 2017, AND CERTAIN RELATED MATTERS.

I. **MEMBERSHIP OF THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE (School Facilities Improvement District No. 2008-1):**

**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 Carreras           *(PTA/PTO/Site Council Representative)*
- Nancy Gran               *(Senior Citizen's Organization Representative)*
- Merlin L. Henry, Jr.      *(Member At-Large Representative)*
- Erin LeMaster            *(Business Organization Representative)*
- Steve Ratkevich         *(Parent/Guardian of Student Representative)*
- Raul Rodriguez          *(Tax Payer Representative)*

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

- Chairperson             Steve Ratkevich
- Vice Chairperson       Raul Rodriguez
- 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. For more complete descriptions of actions by the Tustin Unified School District (District) Citizens Oversight Committee (COC) please see Minutes of the corresponding meetings posted on the COC Website. All approved Minutes and Annual Reports are, and have been, posted on the COC Website: <http://www.tusdmeasurel.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 2016-17:**

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 L 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.tusdmeasurel.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 L Bond funds, and reviewed project expenditures made on projects authorized under Measure L.

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 L 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 L Bond funds have been expended on the identified projects authorized by Measure L (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 L Bond funds by the School District have been made on costs, expenses and construction/acquisition/installation costs of projects authorized by Measure L.

For reference purposes, attached is a Measure L Project Summary report Attachment "C." The specific projects authorized by Measure L are posted on the COC website at <http://www.tusdmeasurel.org>.

5. No Measure L 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 L Bond funds on teacher/administrator salaries or other school operating expenses.

6. 2016-17 Audit Reports were reviewed, received and filed with the COC.

The required financial and the independent "*performance and financial audit reports*" for Measure L bond proceeds, as required under California Constitution Article XIII and Education Code Sections 15278 and 15280 for Fiscal Year 2016-17 were performed by the accounting firm of Nigro & Nigro, PC. Copies of the audit reports 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. The 2016-17 audit reports can also be viewed on the internet at <http://www.tusdmeasurel.org>. The audit reports were finalized by the District's Board of Education at their meeting held on September 25, 2017.

Because all bond proceeds have been expended, the District has satisfied its obligations under California Constitution Article XIII to obtain annual financial and performance audits; consequently, no additional audits are necessary relative to the Measure "L" bonds. 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 2016-17 annual/audit reports can also 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 L 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 L 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.tusdmeasurel.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 2016-17 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)

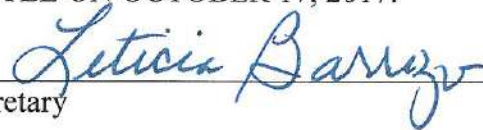
Dates, times and location(s) of COC meetings can be found on the COC website. Members of the public are invited to attend.

V. **CONCLUSION:**

The Citizens' Oversight Committee is pleased to report that the Measure L Bond funds have been used as the voters intended. The independent accounting firm of Nigro & Nigro, PC said in their report "the District complied with the compliance requirements for the Measure "L" General Obligation Bond proceeds listed and tested." Additionally, this committee is pleased to report that careful management by the School District's bond team brought the projects in under budget and that no Bond proceeds were used on teacher or administration salaries or other operating expenses.

ADOPTED, SIGNED AND APPROVED BY THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE ON OCTOBER 17, 2017.

Secretary

A handwritten signature in blue ink that reads "Leticia Barrozo". The signature is written in a cursive style and is positioned above a horizontal line that serves as a signature line.

***ATTACHMENT "A"***

***ANNUAL FINANCIAL AUDIT***  
***And***  
***INDEPENDENT FINANCIAL AUDIT***  
***(2016-17 Fiscal Year)***



**MEASURE "L" GENERAL OBLIGATION  
BOND BUILDING FUND OF  
TUSTIN UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2017**



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

*For the Fiscal Year Ended June 30, 2017*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure "L" General Obligation Bond Building Fund of Tustin Unified School District, as of and for the fiscal year ended June 30, 2017, and the related notes to the 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.

### Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit 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, the auditor considers internal control relevant to the entity'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 entity'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.

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 financial position of the Measure "L" General Obligation Bond Building Fund of Tustin Unified School District, as of June 30, 2017, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Measure "L" General Obligation Bond Building Fund and do not purport to, and do not, present fairly the financial position of the Tustin Unified School District, as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2017, on our consideration of the District's internal control over 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 internal control over 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 financial reporting and compliance.



Murrieta, California  
August 14, 2017

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

*Balance Sheet  
June 30, 2017*

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	<u>Measure "L"</u>
<b>ASSETS</b>	
Total Assets	\$ -
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Total Liabilities	\$ -
<b>Fund Balance</b>	
Total Fund Balance	-
<b>Total Liabilities and Fund Balance</b>	\$ -

**MEASURE "L" 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, 2017*

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	<u>Measure "L"</u>
<b>REVENUES</b>	
Interest earnings	\$ 20,849
<b>EXPENDITURES</b>	
Plant Services:	
Materials and supplies	507,941
Services and other operating expenditures	27,477
Capital outlay	<u>9,749,555</u>
<b>Total Expenditures</b>	<u>10,284,973</u>
<b>Net Change in Fund Balance</b>	(10,264,124)
<b>Fund Balance, July 1, 2016</b>	<u>10,264,124</u>
<b>Fund Balance, June 30, 2017</b>	<u>\$ -</u>

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

*Notes to Financial Statements*

*June 30, 2017*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

On November 4, 2008, an election was held in the District, whereby the voters approved by a 58.5% vote Measure "L", which authorizes the District to issue up to \$95 million of general obligation bonds. The bonds were used to acquire, construct, renovate, upgrade and provide repair of existing school facilities. The Committee's oversight goals included 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 March 30, 2010, the District issued the first series of bonds, Series A, in the amount of \$12,000,000 and Sub-Series A-1, Build America Bonds, in the amount of \$13,000,000. The bond proceeds and uses are accounted for in the District's Bond Building Fund (using sub-fund 2126). On June 9, 2011, the District issued the second series of bonds, Series B, in the amount of \$25,000,000. The bond proceeds and uses are accounted for in the District's Bond Building Fund (using sub-fund 2127). On May 8, 2013, the District issued the third series of bonds, Series C, in the amount of \$25,000,000. The bond proceeds and uses are accounted for in the District's Bond Building Fund (using sub-fund 2128). On February 18, 2015, the District issued the fourth and final remaining series of bonds, Series D, in the amount of \$20,000,000. The bond proceeds and uses are accounted for in the District's Bond Building Fund (using sub-fund 2130). The statements presented are for the individual Measure "L" 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. Basis of Accounting**

The Measure "L" General Obligation Bond Building Fund is a governmental fund reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

**C. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.



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

*Notes to Financial Statements*

*June 30, 2017*

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. Fund Balances**

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**F. 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**

**Pooled Funds**

In accordance with Education Code Section 41001, the District maintains all of its Building Fund cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

At June 30, 2017, there was no cash remaining in the Measure "L" Building Fund.

**NOTE 3 – MEASURE "L" GENERAL OBLIGATION BONDS**

The District authorized bonds at a regularly scheduled election of the registered voters of the District held on November 4, 2008, at which more than 55% of the voters authorized the issuance and sale of up to \$95 million of general obligation bonds. The bonds were used to acquire, construct, renovate, upgrade and provide repair of existing school facilities.

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

*Notes to Financial Statements*

*June 30, 2017*

**NOTE 3 – MEASURE "L" GENERAL OBLIGATION BONDS (continued)**

A summary of outstanding Measure "L" general obligation bonds is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2016	Additions	Deductions	Balance, June 30, 2017
2008A	3/30/2010	2034	3.0% - 6.589%	\$ 25,000,000	\$ 16,495,000	\$ -	\$ 645,000	\$ 15,850,000
2008B	6/9/2011	2037	2.0% - 5.0%	25,000,000	3,360,000	-	245,000	3,115,000
2008C	5/8/2013	2042	2.0% - 4.0%	25,000,000	23,685,000	-	240,000	23,445,000
2008D	2/18/2015	2035	3.0% - 3.375%	20,000,000	20,000,000	-	310,000	19,690,000
					<u>\$ 63,540,000</u>	<u>\$ -</u>	<u>\$ 1,440,000</u>	<u>\$ 62,100,000</u>

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

Fiscal Year	Principal	Interest	Total
2017-18	\$ 1,400,000	\$ 2,755,332	\$ 4,155,332
2018-19	1,635,000	2,695,157	4,330,157
2019-20	1,880,000	2,618,282	4,498,282
2020-21	2,195,000	2,534,582	4,729,582
2021-22	1,745,000	2,455,233	4,200,233
2022-27	6,905,000	11,460,013	18,365,013
2027-32	14,530,000	8,806,585	23,336,585
2032-37	15,715,000	4,635,864	20,350,864
2037-42	13,090,000	1,796,600	14,886,600
2042-43	3,005,000	55,288	3,060,288
	<u>\$ 62,100,000</u>	<u>\$ 39,812,936</u>	<u>\$ 101,912,936</u>

**NOTE 4 – OVERSIGHT COMMITTEE**

Education Code Section 15282(a) states that the Citizens' Oversight Committee must consist of at least seven members and must be comprised of the following members: one member shall be active in a business organization representing the business community located within the District, one member shall be active in a senior citizens' organization, one member shall be active in a bona fide taxpayers' organization, one member shall be the parent or guardian of a child enrolled in the District, and one member shall be both a parent or guardian of a child enrolled in the District and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. At June 30, 2017, the Citizens' Oversight Committee had members from each of the required groups, however, was only comprised of six members.

**NOTE 5 – FINAL AUDIT**

Because all bond proceeds have been expended, the District has satisfied its obligations under California Constitution Article XIII to obtain annual financial and performance audits; consequently, no additional audits are necessary relative to the Measure "L" bonds.

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***Other Independent Auditors' Reports***

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**INDEPENDENT AUDITORS' 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**

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

We have audited, in accordance with the 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 financial statements of the Measure "L" General Obligation Bond Building Fund of Tustin Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated August 14, 2017.

**Internal Control Over Financial Reporting**

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

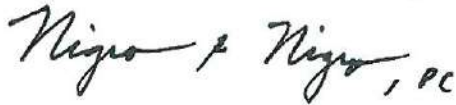
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**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.



Murrieta, California

August 14, 2017

**ATTACHMENT "B"**

**ANNUAL PERFORMANCE AUDIT**  
*(2016-17 Fiscal Year)*



## INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

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

We have examined the Tustin Unified School District's compliance with the performance requirements for the Proposition 39 Measure "L" General Obligation Bond for the fiscal year ended June 30, 2017, 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 2126, 2127, 2128, and 2130) 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 "L".
- 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, 2016 to June 30, 2017. 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, 2017 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, 2017, for the Building Fund (subfunds 2126, 2127, 2128, and 2130). 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 "L" with regards to the approved bond projects list. We performed the following procedures:

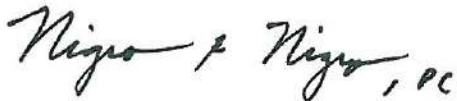
To meet our objectives, audit tests were performed and included, but were not limited to the following:

- 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 \$3.8 million in bond fund invoices. 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 visited construction sites at Tustin High and Thorman Elementary to ensure that expenditures made corresponded with the actual work performed at the site.
- We reviewed the approved project listing as set out in the Measure "L" election documents.
- 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 and 20118.
- We verified that the lease-leaseback agreement contained provisions or information that included the value of the lease, that the title to the improvements on the site vests with the District upon completion of the project, and that the lease shall terminate within 180 days of the filing of a notice of completion or occupancy of the project by the District, whichever occurs first.

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 "L" General Obligation Bond proceeds listed and tested above.

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

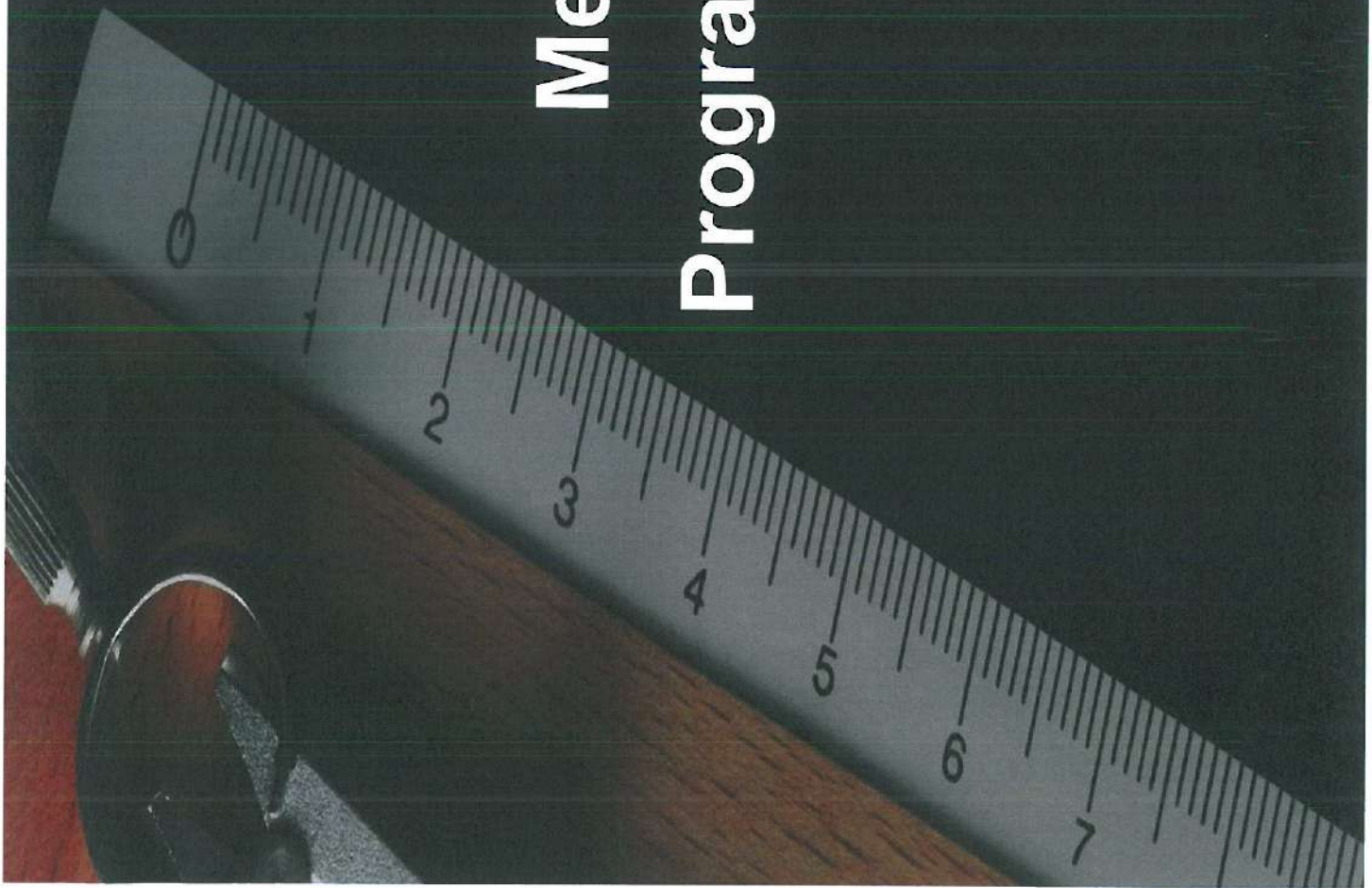


Murrieta, California  
August 14, 2017



**ATTACHMENT "C"**  
**SUMMARY OF MEASURE L PROJECTS**  
***(\$95 MILLION)***

# Measure L Program Summary



# Measure L Funding

November 2008 - \$95 Million Bond Approved by Voters

Bond Issuance	Date	Amount
Series A	March, 2010	25,000,000
Series B	June, 2011	25,000,000
Series C	August, 2013	25,000,000
Series D	February, 2015	20,000,000
<b>Total</b>		<b>95,000,000</b>

# Series A

- FHS Swimming Pool Replacement
- FHS Locker Room Remodel
- FHS Event Center
- THS Sports Pavilion
- THS Pool Deck Replacement
- FHS Tennis/Athletic Fields





## Series B

- Middle School Activity Center
  - C.T.
  - Currie
  - Hewes
  - Utt
- Currie Modernization (Bldg. 400/500/600)





## Series C

- District Stadium Upgrades
- THS All-Weather Track
- FHS All-Weather Track & Parking
- THS Cafeteria Modernization
- THS Bldg. 300 Modernization



## Series D

- THS Admin/Entry Remodel
- THS Humanities Bldg.
- THS T-Tech Expansion
- Lambert Field Upgrades
- Thorman Modernization

