

**TUSTIN UNIFIED SCHOOL DISTRICT**  
**CITIZENS' OVERSIGHT COMMITTEE**  
*(School Facilities Improvement District No. 2012-1)*

**Measure S**  
**Annual Report**  
**2018-2019**

THIS REPORT IS HEREBY ADOPTED BY THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE (SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2012-1) 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, 2018 TO JUNE 30, 2019, AND CERTAIN RELATED MATTERS.

**I. MEMBERSHIP OF THE TUSTIN UNIFIED SCHOOL DISTRICT CITIZENS' OVERSIGHT COMMITTEE (School Facilities Improvement District No. 2012-1):**

**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:

- Guy Ball *(Member At-Large Representative)*
- John Christy *(Member At-Large Representative)*
- Rand Scherff *(Senior Citizen's Representative)*
- Rick Nelson *(Business Organization Representative)*
- Armen Karamardian *(Parent/Guardian Representative)*
- Julie Sokol *(PTA/PTO/Site Council Representative)*
- Jonathan Stone *(Tax Payer Representative)*

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

- Chairperson, Rand Scherff
- Vice Chairperson, Armen Karamardian
- Secretary, Beth Silvers

## **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.tustin.k12.ca.us/Domain/1283>.

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 2018-2019:**

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 S 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.tustin.k12.ca.us/Domain/1283>. 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 S Bond funds, and reviewed project expenditures made on projects authorized under Measure S.

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 S 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. Measure S Bond funds have been expended on the identified projects authorized by Measure S (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 S Bond funds by the School District have been made on costs, expenses and construction/acquisition/installation costs of projects authorized by Measure S. The specific projects authorized by Measure S are posted on the COC website at <http://www.tustin.k12.ca.us/Domain/1283>.

4. No Measure S 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 S Bond funds on teacher/administrator salaries or other school operating expenses.

5. 2018-2019 Audit Reports were reviewed, received and filed with the COC.

The required financial and the independent “*performance and financial audit reports*” for Measure S bond proceeds, as required under California Constitution Article XIII and Education Code Sections 15278 and 15280 for Fiscal Year 2018-2019 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. There were no audit findings in 2018-2019. The 2018-2019 audit reports can also be viewed on the internet at <http://www.tustin.k12.ca.us/Domain/1283>. The audit reports were finalized by the District’s Board of Education at their meeting held on January 21, 2020.

6. 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 S 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 S 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.tustin.k12.ca.us/Domain/1283>. Information relating to the COC, its activities and documents can be viewed at the COC website. This includes minutes of the COC meetings, the 2018-2019 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: Grant Litfin, Assistant Superintendent  
Telephone: Phone: (714) 730-7306  
Facsimile: Fax: (714) 730-7436

or on the COC website by e-mail at: [glitfin@tustin.k12.ca.us](mailto:glitfin@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 S 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 "S" 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 8, 2020.

  
Secretary

**MEASURE "S" GENERAL OBLIGATION  
BOND BUILDING FUND OF  
TUSTIN UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2019**

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

*For the Fiscal Year Ended June 30, 2019*

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***ATTACHMENT "A"***

***ANNUAL FINANCIAL AUDIT  
And  
INDEPENDENT FINANCIAL AUDIT  
(2018-2019 Fiscal Year)***

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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 "S" General Obligation Bond Building Fund of Tustin Unified School District, as of and for the fiscal year ended June 30, 2019, 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**

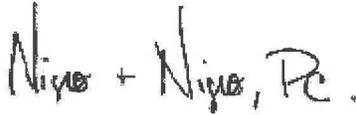
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure "S" General Obligation Bond Building Fund of Tustin Unified School District, as of June 30, 2019, and the changes in financial position thereof for the fiscal year 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 "S" 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, 2019, 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 December 10, 2019, 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  
December 10, 2019

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

*Balance Sheet*

*June 30, 2019*

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	<u>Measure "S"</u>
<b>ASSETS</b>	
Cash	\$ 15,726,199
Accounts receivable	<u>30,837</u>
<b>Total Assets</b>	<u><u>\$ 15,757,036</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 9,117,085
Due to other funds	<u>188</u>
<b>Total Liabilities</b>	9,117,273
<b>Fund Balance</b>	
Restricted for capital projects	<u>6,639,763</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 15,757,036</u></u>

**MEASURE "S" 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, 2019*

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	<u>Measure "S"</u>
<b>REVENUES</b>	
Other state sources	\$ 15,112
Interest earnings	334,630
Surplus sale of devices	<u>563,225</u>
<b>Total Revenues</b>	<u>912,967</u>
<b>EXPENDITURES</b>	
Plant Services:	
Classified salaries	237,420
Benefits	90,536
Materials and supplies	9,085,965
Services and other operating expenditures	25,850
Capital outlay	<u>954,145</u>
<b>Total Expenditures</b>	<u>10,393,916</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(9,480,949)</u>
Net Change in Fund Balance	(9,480,949)
Fund Balance, July 1, 2018	<u>16,120,712</u>
Fund Balance, June 30, 2019	<u>\$ 6,639,763</u>

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

*Notes to Financial Statements*

*June 30, 2019*

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

On November 6, 2012, a special election of the registered voters was held in School Facilities Improvement District No. 2012-1, at which more than the required 55 percent of voters authorized the issuance and sale of not to exceed \$135 million principal amount of general obligation bonds of the District to upgrade classrooms, science labs, equipment, instructional technology, and infrastructure. In response, an advisory committee to the District's Governing Board and Superintendent, the Citizens' Bond Oversight Committee, was established. The Committee's oversight goals include ensuring compliance with the conditions of Measure "S".

The bond proceeds and uses are accounted for in the District Building Fund.

**B. Basis of Accounting**

The Measure "S" 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.

**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.

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

*Notes to Financial Statements*

*June 30, 2019*

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

**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.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

**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.

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

*Notes to Financial Statements*

*June 30, 2019*

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**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.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

**Fair Value Measurements**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019, in the amount of \$30,837 represent the amount due from the County Treasurer for interest earnings.

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

*Notes to Financial Statements*

*June 30, 2019*

**NOTE 4 – INTERFUND TRANSACTIONS**

**Balances Due To/From Other Funds**

Balances due to/from other funds at June 30, 2019, consisted of the following:

Measure "S" Building Fund due to General Fund for benefits	<u>\$ 188</u>
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**NOTE 5 – MEASURE "S" GENERAL OBLIGATION BONDS**

On February 15, 2018, the District issued \$20 million of Series B Election of 2012 General Obligation Bonds. This followed the issuance of \$35 million of Series A bonds on March 14, 2013. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds. The County records the collection of taxes and payments of bond principal and interest in a separate fund, which is not reported here. The bonds were issued to upgrade classrooms, science labs, equipment, instructional technology and infrastructure, and to pay costs of issuance of the bonds.

**Summary of Outstanding Bonds**

A summary of outstanding general obligation bonds at June 30, 2019, are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2018	Additions	Deductions	Balance, June 30, 2019
<b>Measure S:</b>								
2012A	3/14/2013	2037	2.0% - 5.0%	\$ 35,000,000	\$ 25,410,000	\$ -	\$ 2,520,000	\$ 22,890,000
2012B	2/15/2018	2041	2.0% - 5.0%	20,000,000	20,000,000	-	-	20,000,000
					<u>\$ 45,410,000</u>	<u>\$ -</u>	<u>\$ 2,520,000</u>	<u>\$ 42,890,000</u>

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

Fiscal Year	Principal	Interest	Total
2019-20	\$ 2,995,000	\$ 1,594,475	\$ 4,589,475
2020-21	2,845,000	1,453,375	4,298,375
2021-22	3,140,000	1,303,750	4,443,750
2022-23	3,455,000	1,138,875	4,593,875
2023-24	805,000	1,032,375	1,837,375
2024-29	5,100,000	4,499,356	9,599,356
2029-34	8,065,000	3,365,503	11,430,503
2034-39	11,340,000	1,775,169	13,115,169
2039-41	5,145,000	163,516	5,308,516
<b>Total</b>	<u>\$ 42,890,000</u>	<u>\$ 16,326,394</u>	<u>\$ 59,216,394</u>

General Obligation Bond payments are made from the District's Bond Interest and Redemption Fund maintained by the County.

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

*Notes to Financial Statements*

*June 30, 2019*

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**NOTE 6 - CONSTRUCTION COMMITMENTS**

As of June 30, 2019, the District had \$1.9 million with respect to unfinished capital projects from Measure "S" funds.

**NOTE 7 - PERS/ON-BEHALF**

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District in the Building Fund for its proportionate share of the State's on-behalf contributions is \$15,112.

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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 "S" General Obligation Bond Building Fund of Tustin Unified School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2019.

**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.

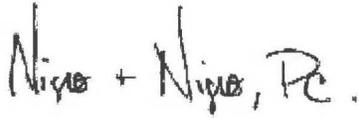
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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  
December 10, 2019

**ATTACHMENT "B"**

**ANNUAL PERFORMANCE AUDIT**  
*(2018-2019 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 "S" General Obligation Bond for the fiscal year ended June 30, 2019, 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 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 "S".
- 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, 2018 to June 30, 2019. 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, 2019, were not reviewed or included within the scope of our audit or in this report.

### **Procedures Performed**

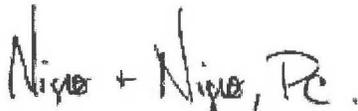
We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2019, for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure "S" 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 approximately \$9.6 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 reviewed the approved project listing as set out in the Measure "S" 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 Sections 20111.
- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code.
- 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. Additionally, we performed procedures to determine that salaries paid to administration or other certificated personnel, from funds held in the Building Fund, were for tasks that were performed to accomplish the projects in the bond measure, consistent with the Attorney General's Opinion No. 04-110 dated November 9, 2004.

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 "S" 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  
December 10, 2019