

**FIRST ANNUAL REPORT OF THE  
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE  
FOR MEASURE B**

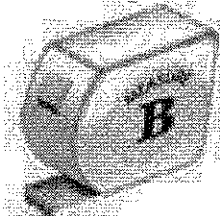
**TO THE**

**BOARD OF EDUCATION**

**SADDLEBACK VALLEY UNIFIED  
SCHOOL DISTRICT**

**For the Fiscal Year  
Ending**

**July 19, 2005**



## **INTRODUCTION**

The Independent Citizens' Oversight Committee (Committee) was formed by appointment made by the Board of Education (Board) of the Saddleback Valley Unified School District (District) to oversee the expenditure of funds from a \$180 million "School Improvement and Repair Bond". The Bond was approved as Measure B by the voters in the general election held on March 4, 2004. The duties and charge of the Committee and its governance is specified in the Committee Bylaws prepared by the District and included herein as Attachment 1.

The Bylaws state that the Committee is to prepare an Annual Report to the Board at the end of each fiscal year and present the Annual Report to the Board at a regular meeting of the Board. The Annual Report, as taken from the Bylaws, is to include:

- A statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution;
- A summary of the Committee's proceedings and activities for the preceding year; and
- An annual presentation to the Board of the annual financial and performance audits.

## **PURPOSE OF THIS REPORT**

The purpose of this Annual Report and presentation to the Board scheduled for July 19, 2005 is to meet this annual reporting requirement. This is the Committees' first report to the Board and it will provide information on the early organizational activities of the Committee, the primary Committee activities during the year, and identification of the responsibilities of the Committee in accordance with the law.

## **COMMITTEE MEMBERSHIP**

The Committee consists of ten members from various geographical locations in the District representing various community groups, interests, and background as identified by the District and presented in Section 5 of the Bylaws. A listing of Committee members for the ten (10) categories of membership is included in Attachment 2.

Brief biographical information on each member of the Committee is provided in Attachment 3. It shows the great diversity in the background of the Committee members which clearly help in the work of the Committee. The Committee members have background in such areas as community involvement, school involvement, engineering, construction, finance, and business.

## **COMMITTEE MEETINGS**

The Committee operates under the requirements of the Brown Act. The agendas are posted and efforts are underway to proactively communicate the content of the agenda beyond the normal legal minimum requirements. One of the first activities of the committee was to select officers. Donald Froelich was selected Chairperson, and Dolores Winchell was selected Vice-Chairperson.

The District staff provides administrative and professional support to the Committee, and information as requested by the Committee members. Most of the communication between District staff and the Committee members is by e-mail, which has proven to be very efficient.

With respect to the Agenda, the practice is for the District staff to prepare the draft agenda including the normal agenda items plus items requested by the Committee members at the prior meeting. The Committee officers meet with the District staff prior to a meeting to review and comment on the agenda and for staff to finalize and distribute the Agenda to the Committee members and post as required under the Brown Act. An Agenda for a recent meeting is included in Attachment 4 as a sample to provide information on the structure and items generally discussed at a meeting. The committee has met five times at quarterly intervals, with the first meeting on May 28, 2004 and the most recent on June 29, 2005.

Additionally, District staff prepares Meeting Minutes shortly after the meeting for review by the Committee members and to memorialize the meeting activities. A copy of the Minutes from a recent meeting is included as Attachment 5 as a sample attachment. The Committee members request information from staff for discussion at a future meeting. District staff prepares a list of requested items with the status of the request. A copy of the most recent action item list is included as Attachment 6 to this report as a sample.

With the purpose of this report identified, organizational structure and procedures specified, the remainder of the report will cover the items required in the annual report for presentation to the Board and other information that describes the Committee's activities.

**COMPLIANCE WITH ARTICLE XIII,  
Section 1 (b) (3)  
OF THE CALIFORNIA CONSTITUTION**

Section 1 (b) (3) requires, in general, that the bond proceeds can only be used for construction related purposes on specified school projects as determined by the District in the Facilities Master Plan and "exhibit B". This section further requires that an audit be performed to ensure that funds have been expended for only these specified projects. In furtherance of this requirement, the Committee received reports from staff for the Committee to review project and financial compliance.

**Use of Bond Proceeds--** Committee received the quarterly report of expenditures dated June 21, 2005 prepared by TELACU Construction Management (TCM) and District Facilities staff. TCM has been hired by the district to provide consulting services and assist staff in managing the finances, planning and construction of the Measure B Bond Program. The report is a summary of bond fund expenditures to date by each school site. The report was reviewed and it showed that all expenditures identified were project related expenditures plus others miscellaneous costs allowed in the Constitution like project management, and project communication. The Committee took action at its June 29, 2005 meeting accepting the quarterly report and the use of Bond funds. The report is included herein as Attachment 7. However, the formal review of bond proceeds will occur in late 2005 following the District's final audit of all District finances for the fiscal year 2004-2005.

**Status of Construction Activities--** Construction activities were relatively minor during the 2004-05 fiscal year and the project expenditures were related primarily to project planning, design, and district wide infrastructure upgrades such as technology. Significant construction activities are expected to begin in the 2005-06 fiscal year. Progress to date suggests that the overall program is on schedule, but next year's activities will provide more information on the status of the program. Committee received the project status report by site dated June 16, 2005 prepared by TCM in conjunction with District Facilities staff. This was previously provided to the board and approved and will not be included as an attachment to this annual report. The Committee took action at its June 29, 2005 meeting accepting the status report.

**Presentation to the Board--**The Committee at its June 29<sup>th</sup> meeting authorized the transmittal of this report to the Board. This report is scheduled for presentation to the Board of Education at its July 19, 2005 meeting. The report to the Board will primarily relate to this year's activities with the final review of the use of Bond proceeds scheduled for late 2005 followed with a presentation to the Board.

### **SUMMARY OF THE COMMITTEE'S PROCEEDINGS AND ACTIVITIES**

The primary activities of the Committee for 2004-05 have been to:

- organize the Committee and elect officers
- discussed the responsibilities of the Committee as outlined in the Bylaws and presentations by the District's legal counsel and auditors
- learn more about the proposed school improvements and staff's methodology for monitoring the status of each identified improvement,
- review the expenditure of funds for improvements by project on a quarterly basis
- report on the challenges being faced by staff as they proceed with the improvement projects such as finances, and modification to proposed improvements
- learn more about the District's practices for securing consultant services to prepare the plans and specifications and the costs of these services
- visit school improvement sites to see the actual construction work and proposed improvements
- reviewed the possibility of increasing the interest income on the bond proceeds sold to date by better understanding the District's investment policy

A key concern of the Committee has been trying to identify ways to inform the community that the Committee has been created, meets regularly, and is encouraging the public to attend. Some of the steps taken to accomplish this goal are:

- Discussion of the Committee in the District's newsletter to the Community
- Expanding the notification of the Committee meetings beyond the normal Brown Act requirements via media advisory
- Working with staff to get information on the Committee members and meeting times on the District websites

For the future, the Committee will certainly continue its efforts initiated during fiscal year 2004-05 on monitoring the expenditure of funds and improvements in conformity to the Measure B improvement program.

Also, some Committee members have close involvement with individual schools and report to such groups as site committees and the PTA on the Committee's work. A possible effort is for the Committee to assure that all schools in the District will have direct access to the same type of information. This could involve Committee members going to the schools and reporting on the Committee activities.

### KEY CONCERNS

Some of the key concerns of the Committee include:

- **The acceleration of costs in the construction industry.** The District staff has provided information on recent significant increases in construction costs and will continue to keep the Committee apprised. District staff has reported that the overall program in Measure B does contain a contingency amount in anticipation of the escalation in material and labor costs, however, staff continues to report insufficient funds for the overall program.
- **The Committee, like the District staff, is committed to ensure that the maximum number of identified projects are completed.** There will likely be some changes in the scope and need for some school site improvements as reported by District staff. The charge of the Committee is to make sure the maximum number of projects identified in Measure B are constructed in a manner most efficiently meeting student needs. What happens if there is a logical need for a change or finances are insufficient, how does the Committee respond to this situation? We were formed to see that certain projects are funded. If we know they will not be completed or will be changed, what are we as a Committee to do? Our biggest concern is when the money is spent and maybe certain projects are not completed for a variety of logical reasons, the Committee and District could be criticized for not performing its duties and fulfilling promises to the community. The Committee would like written instructions on how we are to respond to these issues so there is some type of "paper trail" identifying the decision making process.

### SUMMARY

The Committee is a well organized and cooperative group wanting to follow through on their responsibilities. They represent a wide diversity of citizens in the community and they all have different backgrounds making the group very effective. District staff assistance from Randy Huttenberger, Gary Matsumoto, and TCM has been attentive and accommodating to the Committee's needs and desires. This has been a great organizational year for the Committee and we now have the framework to move forward in fulfillment of our responsibilities as the construction activities accelerate. We certainly look forward to any comments the Board of Education may have on our initial efforts in meeting our responsibilities to the Board, the

District, and the community, and to report later this year or early next year on our review of the final audit of Measure B costs for fiscal year 2004-2005.

### **LIST OF ATTACHMENTS**

1. Bylaws
2. Listing of Committee members by group they represent
3. Biographical information on the Committee members
4. Agenda for recent meeting
5. Meeting Minutes for recent meeting
6. Action Item List
7. Financial Report (Expenditures to Date)
8. Project Status Report (Project Update Matrix)  
'TO BE POSTED AT A LATER DATE'

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE BOARD OF EDUCATION OF THE  
SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
ESTABLISHING AN INDEPENDENT CITIZENS' OVERSIGHT  
COMMITTEE

WHEREAS, the Board of Education of the Saddleback Valley Unified School District, County of Orange, State of California, previously adopted its Resolution No. 17:03-04 requesting the County of Orange to call an election for general obligation bonds (the "Bond Election") to be held on March 2, 2004; and

WHEREAS, on March 2, 2004, the Bond Election was duly held and conducted for the purpose of voting a measure for the issuance of bonds (the "Bonds") of the Saddleback Valley Unified School District (the "District") in the amount of \$180,000,000 (the "Bond Measure"); and

WHEREAS, more than fifty-five percent of the votes cast on the measure were in favor of issuing the Bonds; and

WHEREAS, Sections 15278 *et seq.* of the California Education Code (the "Code") requires the establishment of an independent citizens' oversight committee within 60 days of the date that the results of the Bond Election are entered on the minutes of the District, the purpose of which shall be to inform the public concerning the expenditure of proceeds from the Bonds.

NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE CENTRALIA SCHOOL DISTRICT DOES HEREBY FIND, DETERMINE AND CERTIFY AS FOLLOWS:

1. An Independent Citizens' Oversight Committee (the "Committee") is hereby established in compliance with the Code and for the general purpose of informing the public concerning the expenditure of proceeds of the Bonds.
2. The Independent Citizens' Oversight Committee Bylaws (the "Bylaws"), a copy of which is attached hereto as Exhibit A, are hereby approved.
3. The Committee shall have the specific purposes and be operated in the manner required by the Bylaws, as such Bylaws may be amended from time to time in accordance therewith. The initial appointment of Committee members shall be undertaken in accordance with the Bylaws.
4. This Resolution shall take effect immediately.

ADOPTED, SIGNED AND APPROVED this 5th day of April, 2004:

BOARD OF EDUCATION OF THE  
SADDLEBACK VALLEY UNIFIED  
SCHOOL DISTRICT

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President

ATTEST:

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Secretary



STATE OF CALIFORNIA        )  
  )  
COUNTY OF ORANGE        )

I, \_\_\_\_\_, do hereby certify that the foregoing Resolution No. \_\_\_\_\_ was duly adopted by the Board of Education of the Saddleback Valley Unified School District at a meeting thereof held on the 5th day of April, 2004 and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

By: \_\_\_\_\_  
Secretary of the Board of Education of the  
Saddleback Valley Unified School District

## EXHIBIT A

### INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE BYLAWS

#### Section 1. COMMITTEE ESTABLISHED

The Board of Trustees (the "Board") of the Saddleback Valley Unified School District (the "District") hereby establishes the Independent Citizens' Oversight Committee (the "Committee") which shall have the purposes and duties set forth in these Bylaws.

#### Section 2. PURPOSE

The purpose of the Committee is to inform the public at least annually concerning the expenditure of bond proceeds approved by the voters March 2, 2004 (the "Bond Proceeds") by issuing a written report.

#### Section 3. DUTIES

To carry out its stated purpose, the Committee shall perform the following duties:

3.1 Review Expenditures. The Committee shall review quarterly expenditure reports produced by the District to (a) ensure that Bond Proceeds are expended only for the purposes set forth in the ballot measure; (b) ensure that no Bond Proceeds are used for any teacher or administrative salaries or other operating expenses; and (c) verify that capital facilities work is executed.

3.2 Annual Report. The Committee shall present to the Board an annual written report (the "Annual Report") which shall include the following:

- (a) A statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution;
- (b) A summary of the Committee's proceedings and activities for the preceding year; and
- (c) An annual presentation to the Board of the annual financial and performance audits.

#### Section 4. AUTHORIZED ACTIVITIES

4.1 In order to perform the duties set forth in Section 3, the Committee may engage in the following authorized activities:

- (a) Receive and review copies of the District's annual independent performance audit and annual independent financial audit required by Article XIII A of the California Constitution.
- (b) Inspect school site facilities and grounds for which Bond Proceeds have been or will be expended, in accordance with any access procedure established by the Assistant Superintendent.

(c) Review the District's efforts to maximize Bond Proceeds in ways designed to: (1) reduce costs of professional fees or site acquisition; (2) incorporate efficiencies in school site design; (3) encourage joint use of core facilities; or (4) involve cost-effective and efficient reusable facility plans.

4.2 Any Committee requests for copies or inspection of District records shall be made in writing to the Superintendent of the District.

**Section 5. MEMBERSHIP**

5.1 Number. The Committee shall consist of 10 members, as follows:

(a) After interviewing potential members, the Board shall appoint members of the Committee.

(b) The Committee shall include:

- (1) one member who is active in a business organization representing the business community located within the District;
- (2) one member active in a senior citizens' organization;
- (3) one member who is the parent or guardian of a child enrolled in the District;
- (4) one member who is both a parent or guardian of a child enrolled in the District and active in parent-teacher organization;
- (5) one member who is active in a bona fide taxpayer's organization;
- (6) one member who is a representative from the property and facilities management community; and
- (7) one member who is a representative from the construction community.

5.2 Qualification Standards.

(a) To be a qualified member of the Committee, a person must:

- (1) be at least 18 years of age and a citizen of the state in accordance with Government Code section 1020;
- (2) reside within the geographic boundaries of the District;
- (3) not be an employee or official of the District; and
- (4) not be a vendor, contractor, or consultant of the District.

(b) If a member fails to meet the qualification standards set forth above at any time during the term of service, such member shall be disqualified and the position shall be declared vacant. The Board shall appoint a new person to serve the remainder of the term, in accordance with the appointment process set forth in Section 5.3 below.

5.3 Appointment. The Board shall appoint members to the Committee. Prior to appointment, the District Superintendent shall conduct a nomination process to ensure that each person nominated meets the qualification standards set forth in Section 5.2. The Superintendent shall establish a process that provides reasonable notice to Board members and specified nominating organizations. When an appointment is necessary to fill a vacancy, the Superintendent shall ensure that a nomination is received from the same organization or category as the Committee member whose position is vacant.

5.4 Ethics; Conflicts of Interest. By accepting appointment to the Committee, each member agrees to comply with Article 4 (commencing with Section 1090) and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000, *et seq.*), and to complete the Form 700 as required by all “designated employees” of the District. Additionally, each member shall comply with the Committee Ethics Policy attached as Attachment A to these Bylaws.

5.5 Term. Each member of the Committee shall serve for a term of two years and for no more than two consecutive terms.

5.6 Removal; Vacancy. The Board may remove any Committee member for cause, including failure to attend three consecutive committee meetings. Upon the removal of a member, his or her seat shall be declared vacant. The Board shall fill any vacancies on the Committee in accordance with the appointment process set forth in Section 5.3.

5.7 Compensation. The Committee members shall not be compensated for their services:

## **Section 6. MEETINGS OF THE COMMITTEE**

6.1 Regular Meetings. The Committee shall establish a schedule for the date and time of regular meetings to be held at least quarterly to include an annual organizational meeting to be held on December 1 of each year until the Bond Proceeds are expended derived by the School District for facilities purposes.

6.2 Location. All meetings shall be held at the administrative offices of the District located at 25631 Peter A. Hartman Way, Mission Viejo, California 92691 or other District facilities.

6.3 Procedures. All meetings shall be open and public in accordance with the Ralph M. Brown Act, Government Code Sections 54950, *et seq.* (the “Brown Act”). Meetings shall be conducted according to such procedural rules as the Committee may adopt. A majority of the number of Committee members shall constitute a quorum for the transaction of any business except adjournment.

## **Section 7. DISTRICT SUPPORT**

7.1 The District shall provide to the Committee necessary technical and administrative assistance as follows:

(a) preparation of and posting of public notices as required by the Brown Act ensuring that all notices to the public are provided in the same manner as notices regarding meetings of the Board;

(b) provision of a meeting room, including any necessary audio/visual equipment;

(c) preparation and copies of any documentary meeting materials, such as agendas and reports; and

(d) retention of all Committee records, and providing public access to such records, including the posting of Committee records on the Internet website maintained by the District.

7.2 District staff shall attend all Committee records, and providing public access to such records.

7.3 The Committee may request the Board to authorize legal counsel to advise the Committee on legal matters relating to the operation and/or subject matter of the Committee.

7.4 The District shall not use any Bond Proceeds to provide the support set forth in this Section 7.0.

#### **Section 8. OFFICERS**

The Committee shall elect a Chair and a Vice-Chair who shall act as Chair only when the Chair is absent, which positions shall continue for two year terms. No person shall serve as Chair for more than two consecutive terms.

#### **Section 9. AMENDMENT OF BYLAWS**

Any amendment to these Bylaws shall be approved by a two-thirds vote of the entire Committee and must be approved by the Board prior to becoming effective.

#### **Section 10. TERMINATION**

The Committee shall automatically terminate and disband at the earlier of the date when (a) all Bond Proceeds are spent, or (b) all projects funded by Bond Proceeds are completed.

#### **Section 11. APPLICABILITY OF THE CALIFORNIA LAW**

The Committee was established by the District in order to comply with Sections 15278 *et seq.* of the California Education Code (the "Code"). Nothing in these Bylaws shall be interpreted in a manner that is inconsistent with the provisions of the Code.

## ATTACHMENT A

### INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE ETHICS POLICY STATEMENT

This Ethics Policy Statement provides general guidelines for Committee members to follow. However, the guidelines set forth in this Statement are not exhaustive and do not excuse Committee members from existing laws, rules, policies and procedures as well as from concepts that define generally accepted good business practices and professional conduct. Committee members are expected to adhere strictly to the provisions of this Ethics Policy. All capitalized terms used herein shall have the meanings set forth in the Bylaws of the Committee.

#### POLICY

- **CONFLICT OF INTEREST.** A Committee member shall not make or influence a District decision related to: (1) any contract funded by Bond Proceeds or (2) any construction project which will benefit a Committee member's outside employment, business, or personal finances or benefit an immediate family member, such as a spouse, child or parent.
- **OUTSIDE EMPLOYMENT.** A Committee member shall not use his or her authority over a particular matter to negotiate future employment with any person or organization that relates to: (1) any contract funded by Bond Proceeds, or (2) any construction project. A Committee member shall not make or influence a District decision related to any construction project involving the interests of a person with whom the member has an agreement concerning current or future employment, or remuneration of any kind. For a period of two years after leaving the Committee, a former Committee member may not represent any person or organization for compensation in connection with any matter pending before the District that, as a Committee member, he or she participated in personally and substantially. Specifically, for a period of two years after leaving the Committee, a former Committee member and the companies and businesses for which the member works shall be prohibited from contracting with the District with respect to: (1) bidding on projects funded by the Bond Proceeds; and (2) any construction project.
- **COMMITMENT TO UPHOLD LAW.** A Committee member shall uphold the federal and California Constitutions, the laws and regulations of the United States and the State of California and all other applicable government entities, and the policies, procedures, rules and regulations of the District.
- **COMMITMENT TO DISTRICT.** A Committee member shall place the interests of the District above any personal or business interests of the member.

**Saddleback Valley USD**  
**Measure B Citizens' Oversight Committee**

Donald Froelich .....(Community at Large)

Ernestine Jones.....(Business Organization)

Eric Martin ..... (SVUSD Parent/School Leadership Team)

Nikki Meyers ..... (Property/Financial Mgmt.)

Jack Noenickx.....(Parent of SVUSD Student)

Michael Parris.....(Construction Industry)

Jack Siegman ..... (Senior Citizen)

Adam Spice .....(Parent of SVUSD Student)

Pete Steffen .....(Taxpayer's Association)

Dolores Winchell .....(Parent of SVUSD Student/Active in PTA)

**Measure B**  
**Independent Citizens' Oversight Committee**  
*Committee Member Biographies*

**DONALD R. FROELICH - Chairman**

[donkarn1@earthlink.net](mailto:donkarn1@earthlink.net)

Donald R. Froelich has significant hands-on experience in the implementation of large public works construction projects. Mr. Froelich was employed by the Metropolitan Water District for 24 years as a supervising engineer in planning for water supplies and water facilities for southern California and later served as a Utility Manager for the City of Glendale for 14 years before recently entering into semi-retirement. He also served on the Board of Directors of the Castaic Lake Water Agency for more than 10 years. In these capacities, Mr. Froelich worked on numerous public works projects, helping ensure that the projects were completed on time and on budget. A registered civil engineer and member of the California Bar, he earned bachelor and master's degrees in Civil Engineering from the University of Southern California and a law degree from Blackstone College.

In addition to his engineering background, Mr. Froelich is a part-time instructor at Santiago Canyon College in Orange and a former instructor at College of the Canyons. He resides in Laguna Hills.

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**DOLORES WINCHELL - Vice Chairman**

[dolores1@cox.net](mailto:dolores1@cox.net)

Dolores Winchell fully understands the importance that Measure B will play in the future of the Saddleback Valley Unified School District. Ms. Winchell worked many hours as a parent volunteer to promote the Measure's passing. She will now turn her attention toward the successful completion of the intended capital projects as a member of the Bond Measure Citizens Oversight Committee.

A part-time Human Resources consultant who considers herself a full-time community volunteer, Ms. Winchell has been active in the Parent Teacher Association at Rancho Canada, where her two children attend school.

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**Measure B**  
**Independent Citizens' Oversight Committee**  
*Committee Member Biographies*

**ERNESTINE JONES**

[ecrjones@aol.com](mailto:ecrjones@aol.com)

Ernestine Jones brings a solid mix of public and private sector experience to the Bond Measure Citizens Oversight Committee. As the City Accountant for the City of Laguna Woods, Ms. Jones regularly deals with issues concerning municipal finance and accountability. She holds a Business degree from Auburn University and Masters Degrees in Business and Management from Webster University.

The parent of a Trabuco Hills High School student, Ms. Jones has been active in District activities for many years. She currently serves as a member of the Trabuco Hills High School Parent Teacher Association (PTA) and served as the Education Council representative at Los Alisos Intermediate School. Ms. Jones is a former member of the Del Lago Elementary School PTA and a representative on the school's Site Council.

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**ERIC S. MARTIN**

[esmar4@cox.net](mailto:esmar4@cox.net)

A professional business consultant, Eric Martin focuses on two important pieces of any capital improvement project: real estate and safety. Mr. Martin is Senior Vice President for The American Consulting Group, where he consults with owners and senior management of both public and private businesses in such areas as California employment law, labor relations and workplace health & environmental safety compliance regulations. Additionally, Mr. Martin is a licensed California real estate broker with background experience in property management. Among the clients he has consulted for are Standard Pacific Homes, Mastercraft Homes, Mid-Peninsula Housing Coalition, Empire Homes and Orange Coast Construction company, to name a few.

Mr. Martin served for two years on the Site Council at Del Lago Elementary School, where his two children are students. In addition, he is an assistant Scoutmaster for Boy Scouts of America Pack Troop #818 in Rancho Santa Margarita. Mr. Martin lives in Mission Viejo.

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**Measure B**  
**Independent Citizens' Oversight Committee**  
*Committee Member Biographies*

**NIKKI MEYERS**

[nikki.meyers@sbcglobal.net](mailto:nikki.meyers@sbcglobal.net)

For more than a decade, Nikki Meyers has devoted a great deal of her time to helping others. A self-employed Certified Public Accountant, Ms. Meyers has been an active parent from the time her children became students in the Saddleback Valley Unified School District. She has participated in the Parent Teacher Association at every level, often serving as an officer or committee representative. Ms. Meyers also served on the School Site Council at El Toro High School.

In addition to her activities in the School District, Ms. Meyers regularly puts her professional training to use for others. She is a Site Coordinator for the Internal Revenue Service Volunteer Income Tax Assistance program at Rancho Santa Margarita Community Center and a volunteer for the Tax Council for the Elderly in Lake Forest and Mission Viejo. Ms. Meyers' youngest child graduated from El Toro High School last year.

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**JACK NOENICKX**

[noenickx@msn.com](mailto:noenickx@msn.com)

The Vice President of Finance at Heritage Foods, Jack Noenickx, has solid financial background highlighted by nearly 25 years' professional experience. His experience will provide the Bond Measure Citizens Oversight Committee strength in the input and analysis of financial and performance audits, budgets, capital improvement projects, and contract negotiations.

Mr. Noenickx's professional background, however, is only one way the Committee will benefit from his service. Mr. Noenickx is also well-versed in civic duty. The City Council of Laguna Hills has appointed him to the Parks and Recreation Commission, and he is a member of the Southern California Dairy Industry Security Trust Fund. Mr. Noenickx is also an active member of the Laguna Hills High School Football Boosters and Wrestling Boosters. His sons attend Laguna Hills High School and La Paz Intermediate. He is a resident of Laguna Hills.

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**Measure B**  
**Independent Citizens' Oversight Committee**  
*Committee Member Biographies*

**MICHAEL C. PARRIS, P.E.**

[mikeparris@cox.net](mailto:mikeparris@cox.net)

Large-scale capital improvement projects are nothing new to Michael C. Parris. As Director of Construction for Facilities Design and Construction at Hoag Memorial Presbyterian Hospital in Newport Beach, Mr. Parris manages a construction program totaling more than \$250 million in construction value. A registered professional civil engineer, he has spent more than 24 years in the field of engineering, construction, and project management. Prior to his position at Hoag Memorial, Mr. Parris served in a program management capacity for a similar school bond program.

Mr. Parris is a graduate of Carnegie Mellon University, where he earned both a bachelor and a master's degree in Civil Engineering. He is the parent of a Trabuco Hills High School student and lives in Rancho Santa Margarita.

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**JACK SIEGMAN, Ph.D.**

[siegmanjc@fea.net](mailto:siegmanjc@fea.net)

Serving on the Bond Measure Citizens Oversight Committee is a natural fit for Jack Siegman, an education advocate for nearly 35 years. In addition to his passion for education, Dr. Siegman also brings a wealth of classroom experience to his position on the Committee. He is currently a faculty member at both Chapman University in Irvine, California and the University of Nebraska at Lincoln, where he is the former Chairman of the Department of Sociology and member of the University's Executive Committee. Dr. Siegman earned a doctorate from the University of Illinois.

While concentrating much of his time on education, Dr. Siegman has taken an interest in community issues as well. He is currently the President of the Academians organization in Irvine and has participated on various planning committees in the City of Lincoln. Dr. Siegman lives in Laguna Woods.

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**Measure B**  
**Independent Citizens' Oversight Committee**  
*Committee Member Biographies*

**ADAM C. SPICE**

[aspice@broadcom.com](mailto:aspice@broadcom.com)

Adam C. Spice brings more than 15 years' experience in the fields of finance and technology to the Bond Measure Citizens Oversight Committee. As Treasurer and Vice President Business Planning at Broadcom Corporation, Mr. Spice is uniquely trained in handling large and complex financial projects and analysis, including audits, budgets, planning, and valuation activities. He earned a Bachelor of Science degree in Finance from Brigham Young University and a Master of Business Administration degree from the University of Texas at Austin.

A resident of Trabuco Canyon, Mr. Spice is the parent of two students at Robinson Elementary School.

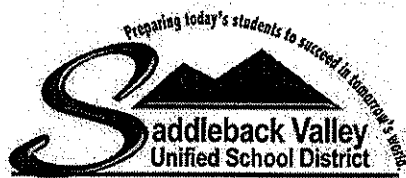
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**PETE STEFFEN**

[psteffen@cox.net](mailto:psteffen@cox.net)

Pete Steffen's proven business background will be a welcome addition to the Bond Measure Citizens Oversight Committee. Currently self-employed, Mr. Steffen operated Wolverine Packaging as President and CEO for 14 years, where he had complete fiscal and budgetary responsibilities. He grew the business to 15 employees and more than \$10 million in annual sales before successfully selling the company in 2001. Since then, Mr. Steffen has committed himself to various community and civic activities.

Among the organizations to which Mr. Steffen donates his time is the Parent Teacher Association at Laguna Hills High School, where his son is a student. A resident of Laguna Hills, Mr. Steffen is currently President of the Laguna Hills High School Football Boosters, and 2003 Commissioner of the Laguna Hills Little League.

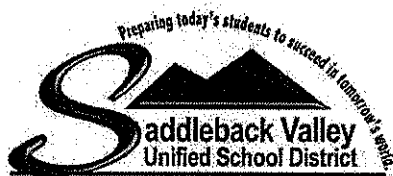


**AGENDA**  
**CITIZEN'S OVERSIGHT COMMITTEE FOR MEASURE B**  
 Wednesday, June 29, 2005 8:00 a.m.  
 Board Conference Room

1. Call to Order.....Donald Froelich, Chairman
  - a. Roll Call, Members:
 

Donald Froelich	Adam Spice
Dolores Winchell	Pete Steffen
Nikki Meyers	Ernestine Jones
Jack Noenickx	Eric Martin
Michael Parris	Jack Siegman
2. Approval of Minutes of Meeting of March 23, 2005
3. Chairman and Committee Members' Reports
4. Overview of Committee Procedures .....Denise Hering, Stradling, Yocca, Carlson & Rauth, Attorneys at Law
  - a. Overview of Auditing Procedures..... Claudette Dain, Vicenti, Lloyd, Stutzman LLP, Consultants/Auditors
5. Facility Planning.....Randy Huttenberger, SVUSD
  - a. Status of DSA Submittal Plans
  - b. State Funding/Project Update Matrix
6. Construction.....Randy Huttenberger, SVUSD
  - a. Update on Completed Projects
  - b. Update of Various Projects
7. Financial.....Mark Kammerer, TELACU CM
  - a. Bond Fund Expenditure Summary (Quarterly Report)
8. Community Outreach.....Domingo Camarano, TELACU
9. Action Items.....Donald Froelich, Chairman
  - a. Confirmation of Date for Next Meeting
  - b. Approval of Annual Report
10. Public Comment on Non-Agenda Items
11. Future Agenda Items
  - a. Prioritization of Projects
12. Meeting Adjourn

Meetings are recorded for the purpose of meeting minutes; tapes are erased after the acceptance of minutes.



## CITIZEN'S OVERSIGHT COMMITTEE FOR MEASURE B

Wednesday, March 23, 2005  
9:30 a.m.  
Board Conference Room

SVUSD Education Center  
25631 Peter A. Hartman Way  
Mission Viejo, CA 92691

---

### Meeting Minutes

1. Call to Order: The meeting was called to order at 5:06 p.m.

2. Roll Call:

Donald Froelich

Eric Martin

Dolores Winchell

Jack Siegman

Jack Noenickx

Gary Matsumoto

Michael Parris

Randy Huttenberger

Adam Spice

Jay Bell

Pete Steffen

Mark Kammerer

Nikki Meyers

Domingo Camarano

Ernestine Jones

Liz Gonzalez

3. Chairman and Committee Members Reports: The committee accepted the meeting minutes from the previous meeting held on December 13, 2004. Chairman of the committee, Donald Froelich reported on the action items list that program assistant, Liz Gonzalez will prepare and distribute to committee members along with meeting minutes. He requested that Liz include three items in the list. The first item to be included is the tracking of committee member attendance of meetings. Liz is to keep an attendance log for this purpose and committee members are to inform both Donald and Liz if they are unable to attend a meeting. The second item to be included is the consideration of a call-in-bridge where members may conference call in if they are unable to physically attend a meeting. The third item is the listing of committee members' names and e-mail addresses on the Measure B web-site. Vice Chairman, Dolores Winchell reported on her attendance of a meeting concerning the proposed El Toro Stadium. On this topic, Randy Huttenberger, Director of the Facilities & Planning Department informed the committee that the District

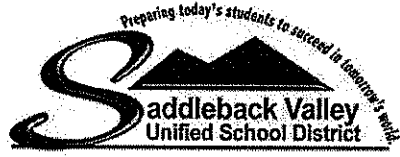
Office is pursuing the possibility of having an off-site stadium built in the future. Randy further commented that field improvements are a separate line item on the bond and such improvements include an artificial field, all weather track, and bleachers.

4. Annual Report Preparation: Donald addressed the Annual Report that will be prepared by committee members. The report is to reflect committee activities in relation to the Measure B bond projects through June 2005, and will be presented to the Board of Education in July 2005.
5. Facility Planning: Randy discussed declining student enrollment throughout the school district and the resulting scaling back on projects at school sites. Randy also updated the committee on the planned architect's submittal of plans to DSA (Division of the State Architect) by April 1, 2005.
6. Turf Committee/Construction: Randy updated COC members on Turf Committee activities; the committee is reviewing three types of synthetic turf that will be considered for installation at field project sites. He also summarized the schedule of construction for the stadiums throughout the district. Construction at the stadium in Trabuco Hills H.S. is scheduled to begin during the summer of 2005. A track has already been added at Trabuco Hills H.S. and a field will be added to complete the stadium. Construction at the Mission Viejo H.S. stadium is scheduled to begin in the summer of 2006, and construction at the stadium in Laguna Hills H.S. may also begin in the early summer of 2006. At other project sites, i.e. baseball fields, elementary school fields, a landscape architect firm will install new irrigation systems. Beginning during the summer of 2005, irrigation systems will be installed at five (5) school sites. Shade structures will also be installed at various sites this summer.
7. Site Inspections: Liz is to e-mail COC members three potential dates when a site visit can be scheduled at one of the school sites where construction is taking place.
8. Bond Fund Expenditure Summary: Mark Kammerer (TC), program controls manager for the Measure B program gave a financial summary on the expenditures for the bond. Handouts were provided. The summary and supporting handouts covered a summary of expenditures to date at each project site, architect's administrative fees by site, and the (preliminary) milestones of construction.
9. Bond Funds: Adam Spice, member of the committee, requested a report on the investment of bond funds at the Orange County Treasury. Gary Matsumoto, Assistant Superintendent is to follow up on inquiring whether bond funds can be invested to yield a higher interest rate.
10. Providing the Community with Information: Domingo Camarano (TC), the Community Outreach Representative for the Measure B Program informed the committee that he is currently working on the newsletter which will be distributed to school principals and to the community in early April. The newsletter will consist of 4 pages of information. The first page will feature a message by the Superintendent and will cover an overview on the Measure B program. The newsletter will display the newly developed Measure B logo and will also be made available on the new Measure B web-site. The new web-site will also be launched in April and will list COC member's e-mail addresses and a brief biography on each member. A section for "Frequently Asked Questions" will also be included. In this

section, questions to the Superintendent and COC members will be posted and briefly answered. COC meeting agenda's and meeting minutes will be posted on the website as well.

11. Public Input: The agenda for an upcoming meeting will be posted at the District Office, on the Measure B web-site, and will be issued to school sites prior to a COC meeting to inform the community of a scheduled meeting.
12. Next Meeting: Wednesday, June 29, 2005 @ 8:00 a.m., Board Conference Room
13. Adjourn: The meeting was adjourned at 6:36 p.m.





CITIZEN'S OVERSIGHT COMMITTEE FOR MEASURE B  
 ACTION ITEMS  
 Wednesday, March 23, 2005  
 5:00 p.m.

Project Name: Saddleback Valley Unified School District  
 Project #: Measure B Program

Start Date	Project	Item	Action	Due Date	Status/Comments
13-Dec-05	SVUSD	Domingo is to follow-up on having committee members' contact information posted on the Measure B web-site	Domingo	5-Apr-05	Complete
13-Dec-05	SVUSD	Domingo is to prepare a Measure B newsletter and distribute it to the community	Domingo	5-Apr-05	Complete
23-Mar-05	SVUSD	Gary is to contact the Orange County treasury regarding the investment of bond funds	Gary	29-Jun-04	Complete
23-Mar-05	SVUSD	Jay (TC) is to provide a template to the committee for the preparation of the Annual Report	Jay	13-May-05	Complete
23-Mar-05	SVUSD	Liz is to e-mail meeting notes & action items from the latest COC meeting	Liz	29-Apr-05	Complete
13-Dec-05	SVUSD	Liz is to e-mail the agenda for a COC meeting one week prior to a scheduled meeting	Liz	22-Jun-04	Complete
23-Mar-05	SVUSD	Liz is to e-mail to committee members the contact information for Domingo Camarano	Liz	24-Mar-05	Complete
23-Mar-05	SVUSD	Liz is to e-mail to committee members two (2) or three (3) alternative dates for site visits	Liz	13-May-05	Complete
23-Mar-05	SVUSD	Liz is to e-mail committee member biographies to members for review and comments	Liz	29-Apr-05	Complete
23-Mar-05	SVUSD	Liz is to e-mail the meeting attendance log to committee members	Liz	22-Jun-04	Complete

Start Date	Project	Item	Action	Due Date	Status/Comments
23-Mar-05	SVUSD	Mark is to include the "La Paz" project site in the Schedule of Construction Projects	Mark	23-Mar-05	Complete
23-Mar-05	SVUSD	Mark is to provide a list of soft costs to members at the next meeting	Mark	29-Jun-04	Complete

Information Items:

Next Meeting Date & Location:

Wednesday, June 29, 2005, 8:00 a.m., District Office Board Conference Room & Board Room

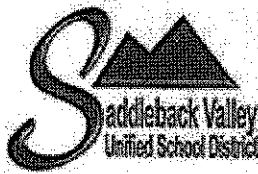


ATTACHMENT 7a

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
Financial Summary as of June 21, 2005

	2004 - 2005	2005 - 2006	2006 - 2007	TOTAL
<b>BEGINNING BALANCE</b>	\$0	\$86,575,075	\$0	
<b>REVENUES</b>				
BOND PROCEEDS	9000	\$100,000,000	\$0	\$0
INTEREST EARNINGS*	8660	\$1,698,497	\$0	\$0
<b>TOTAL REVENUES</b>		<b>\$101,698,497</b>	<b>\$0</b>	<b>\$0</b>
<b>EXPENDITURES</b>				
Aliso Elementary	550	\$178,636		\$178,636
Cielo Vista Elementary	571	\$122,394		\$122,394
Cordillera Elementary	551	\$250,651		\$250,651
Del Cerro Elementary	552	\$174,946		\$174,946
Del Lago Elementary	553	\$128,528		\$128,528
De Portola Elementary	554	\$356,603		\$356,603
Foothill Ranch Elementary	575	\$296,067		\$296,067
Gates Elementary	555	\$259,476		\$259,476
Glen Yermo Elementary	556	\$364,608		\$364,608
La Madera Elementary	557	\$314,866		\$314,866
La Tierra Elementary	558	\$327,465		\$327,465
Lake Forest Elementary	572	\$140,498		\$140,498
Linda Vista Elementary	559	\$345,561		\$345,561
Lomarena Elementary	560	\$384,487		\$384,487
Melinda Heights Elementary	576	\$265,984		\$265,984
Montevideo Elementary	561	\$382,700		\$382,700
Olivewood Elementary	562	\$224,823		\$224,823
O'Neill Elementary	563	\$118,601		\$118,601
Portola Hills Elementary	570	\$110,415		\$110,415
Rancho Canada Elementary	564	\$364,877		\$364,877
Robinson Elementary	573	\$107,451		\$107,451
San Joaquin Elementary	565	\$408,498		\$408,498
Santiago Elementary	566	\$178,561		\$178,561
Trabuco Elementary	567	\$347,998		\$347,998
Trabuco Mesa Elementary	569	\$122,825		\$122,825
Valencia Elementary	568	\$272,486		\$272,486
La Paz Intermediate	680	\$954,775		\$954,775
Los Alisos Intermediate	681	\$561,836		\$561,836
Rancho Santa Margarita Inter.	685	\$238,056		\$238,056
Serrano Intermediate	682	\$608,868		\$608,868
El Toro High School	790	\$1,288,714		\$1,288,714
Laguna Hills High School	791	\$1,041,435		\$1,041,435
Mission Viejo High School	792	\$847,265		\$847,265
Trabuco Hills High School	793	\$131,878		\$131,878
Silverado Continuation High School	895	\$870,496		\$870,496
Esperanza Special Education	898	\$80,336		\$80,336
District Office	331	\$143,607		\$143,607
Holding Account	346	\$107,652		\$107,652
<b>TOTAL EXPENDITURES</b>		<b>\$13,424,925</b>	<b>\$0</b>	<b>\$0</b>
<b>ENDING BALANCE</b>		<b>\$86,575,075</b>	<b>\$0</b>	<b>\$86,575,075</b>

\*Interest Expense as of 5/31/05.



## ATTACHMENT 7b

# SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

## Expended as of June 21, 2005

### Summary Sheet

School	Site	SITE		PLANNING		CONSTR.		TESTING		INSPECTION		F&E		Total
		A	B	C	D	E	F							
Aliso Elementary	550		\$64,776	\$113,860										\$178,636
Cielo Vista Elementary	571		\$24,001	\$98,393										\$122,394
Cordillera Elementary	551		\$91,863	\$158,788										\$250,651
De Portola Elementary	554		\$98,432	\$76,514										\$174,946
Del Cerro Elementary	552		\$26,032	\$102,496										\$128,528
Del Lago Elementary	553	\$7,535	\$273,555	\$75,513										\$356,603
Foothill Ranch Elementary	575	\$3,164	\$16,027	\$276,876										\$296,067
Gates Elementary	555	\$5,020	\$47,101	\$207,355										\$259,476
Glen Yermo Elementary	556	\$8,653	\$267,966	\$87,989										\$364,608
La Madera Elementary	557	\$12,275	\$232,451	\$70,140										\$314,866
La Tierra Elementary	558	\$7,535	\$123,136	\$196,795										\$327,465
Lake Forest Elementary	572		\$24,001	\$116,497										\$140,498
Linda Vista Elementary	559		\$133,333	\$212,229										\$345,561
Lomarena Elementary	560	\$7,373	\$283,504	\$93,610										\$384,487
Melinda Heights Elementary	576		\$14,124	\$251,861										\$265,984
Montevideo Elementary	561	\$9,910	\$271,634	\$101,156										\$382,700
Olivewood Elementary	562	\$2,958	\$34,140	\$187,725										\$224,823
O'Neill Elementary	563		\$34,621	\$83,981										\$118,601
Portola Elementary	570		\$12,001	\$98,414										\$110,415
Rancho Canada Elementary	564	\$7,654	\$284,754	\$72,470										\$364,877
Robinson Elementary	573		\$14,055	\$93,396										\$107,451
San Joaquin Elementary	565	\$7,581	\$273,225	\$127,692										\$408,498
Santiago Elementary	566		\$16,762	\$161,352	\$447									\$178,561
Trabuco Elementary	567	\$12,923	\$268,814	\$66,261										\$347,998
Trabuco Mesa Elementary	569		\$24,001	\$98,824										\$122,825
Valencia Elementary	568		\$182,968	\$87,265	\$887	\$1,365								\$272,486
La Paz Intermediate	680	\$8,522	\$100,072	\$840,427							\$5,755			\$954,775
Los Alisos Intermediate	681	\$14,825	\$395,975	\$151,037										\$561,836
Rancho Santa Margarita Inter.	685	\$10,870	\$91,315	\$135,871										\$238,056
Serrano Intermediate	682	\$12,602	\$434,264	\$162,002										\$608,868
El Toro High School	790		\$1,005,531	\$270,224								\$12,960		\$1,288,714
Laguna Hills High School	791		\$860,877	\$180,559										\$1,041,435
Mission Viejo High School	792	\$8,980	\$583,382	\$254,903										\$847,265
Silverado Continuation HS	895		\$28,722	\$103,156										\$131,878
Trabuco Hills High School	793	\$14,200	\$571,086	\$272,048								\$13,162		\$870,496
Esperanza Special Ed School	898		\$15,760	\$64,577										\$80,336
District Office	331		\$36,147	\$107,460										\$143,607
Holding Account	346	\$411	\$104,694	\$2,373								\$174		\$107,652
		<b>\$162,991</b>	<b>\$7,365,099</b>	<b>\$5,862,086</b>	<b>\$1,334</b>	<b>\$1,365</b>	<b>\$32,050</b>							<b>\$13,424,925</b>

SITE	Property Purchase, Appraisal Fees, Escrow Costs, SURVEYING, Site Support (EIR), Relocation Assistance, Hazardous Waste Removal, OTHER COSTS (Legal, etc...)
PLANNING	Architect/Engineering Fees, DSA, CDE, Energy Analysis, Preliminary Tests, Program Admin., Other Costs (Plan Check, Advertising, etc...)
CONSTRUCTION	Main Construction, Construction Management Fees, Demolition, Other (Landscaping, Utility Connections, Safety, Electrical Upgrade), Interim Housing, Move Management, Abatement
TESTING	Soils Testing, Materials testing (Concrete Cylinders etc...)
INSPECTION	DSA Inspection
FURNITURE & EQUIPMENT (F&E)	Furniture & Equipment

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM  
FINANCIAL AUDIT**

**For the Fiscal Year Ended June 30, 2005**

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM  
FINANCIAL AUDIT**

**June 30, 2005**

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VICENTI ♦ LLOYD ♦ STUTZMAN LLP  
BUSINESS CONSULTANTS AND CPAs

INDEPENDENT AUDITOR'S REPORT

The Board of Education  
The Citizens' Oversight Committee  
Saddleback Valley Unified School District  
25631 Peter A. Hartman Way  
Mission Viejo, CA 92691

Chairman  
ROYCE A. STUTZMAN

Partners  
PETER F. GAUTREAU  
RENÉE S. GRAVES  
WADE N. McMULLEN  
KARIN HECKMAN NELSON  
CARL PON  
GENA M. PTASINSKI  
MARY ANN QUAY  
LINDA M. SADDLEMIRE

Principal  
JERI A. WENGER

Senior Managers  
JANETTE CAMPS  
CLAUDETTE ELIAS DAIN  
TIMOTHY D. EVANS  
PRISCILLA OSBORNE FLORES  
PHEBE M. MCCUTCHEON  
SHARI PROSSER  
COLLEEN K. TAYLOR

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Saddleback Valley Unified School District, as of and for the fiscal year ended June 30, 2005, and have issued our report thereon dated November 2, 2005. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Building Fund (Measure B Bond Program) of the Saddleback Valley Unified School District for the fiscal year ended June 30, 2005. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Building Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental 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 for the Building Fund are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Building Fund financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Building Fund (Measure B Bond Program) of the Saddleback Valley Unified School District as of June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

*Vicenti, Lloyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP

November 18, 2005

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

BALANCE SHEET

BUILDING FUND - MEASURE B BOND PROGRAM

June 30,2005

**ASSETS**

Cash in County Treasury	\$ 88,276,791
Accounts Receivable:	
Interest Receivable	<u>228,983</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 88,505,774</u></b>

**LIABILITIES AND FUND EQUITY**

**Liabilities**

Accounts Payable	1,984,785
Due to Other Funds	<u>11,200</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,995,985</u></b>

**FUND BALANCE**

Designated for Special Purposes	<u>86,509,789</u>
<b>TOTAL FUND EQUITY</b>	<b><u>86,509,789</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 88,505,774</u></b>

See the accompanying notes to the financial statements.



SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUILDING FUND - MEASURE B BOND PROGRAM

For the Fiscal Year Ended June 30, 2005

<b>REVENUES</b>	
Interest Income	\$ 1,927,480
Other Local Revenue	<u>11,997</u>
<b>TOTAL REVENUES</b>	<u>1,939,477</u>
<b>EXPENDITURES</b>	
Supplies and materials	67,538
Contracted Services and Other Expenses	1,676,889
Capital Outlay	<u>13,685,261</u>
<b>TOTAL EXPENDITURES</b>	<u>15,429,688</u>
Deficiency of Revenues over Expenditures	<u>(13,490,211)</u>
<b>OTHER FINANCING SOURCES</b>	
Proceeds from Sale of Bonds	<u>100,000,000</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>100,000,000</u>
Excess of Revenues over Expenditures and Other Financing Sources	86,509,789
Fund Balance at Beginning of Year	<u>-</u>
Fund Balance at End of Year	<u>\$ 86,509,789</u>

See the accompanying notes to the financial statements.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUILDING FUND - MEASURE B BOND PROGRAM**

For the Fiscal Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Interest Income	\$ 1,850,000	\$ 1,927,480	\$ 77,480
Other Local Revenue	<u>-</u>	<u>11,997</u>	<u>11,997</u>
<b>TOTAL REVENUES</b>	<u>1,850,000</u>	<u>1,939,477</u>	<u>89,477</u>
<b>EXPENDITURES</b>			
Supplies and Materials	75,600	67,538	8,062
Contracted Services and Other Expenses	1,677,000	1,676,889	111
Capital Outlay	<u>98,247,400</u>	<u>13,685,261</u>	<u>84,562,139</u>
<b>TOTAL EXPENDITURES</b>	<u>100,000,000</u>	<u>15,429,688</u>	<u>84,570,312</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(98,150,000)</u>	<u>(13,490,211)</u>	<u>84,659,789</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from Sale of Bonds	<u>100,000,000</u>	<u>100,000,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>100,000,000</u>	<u>100,000,000</u>	<u>-</u>
Excess of Revenues over Expenditures and Other Financing Sources	<u>\$ 1,850,000</u>	86,509,789	<u>\$ 84,659,789</u>
Fund Balance at Beginning of Year		<u>-</u>	
Fund Balance at End of Year		<u>\$ 86,509,789</u>	

See the accompanying notes to the financial statements.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**FINANCIAL AUDIT**

**June 30, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

**FUND STRUCTURE**

The Statement of Revenues, Expenditures and Change in Fund Balance is a statement of financial activities of the Building Fund related to the current reporting period. Expenditures frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

**BASIS OF ACCOUNTING**

The Building Fund of the Saddleback Valley Unified School District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

**BUDGET**

The Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual includes a column titled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**FINANCIAL AUDIT**

**June 30, 2005**

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

**CAPITAL ASSETS AND LONG-TERM DEBT**

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Building Fund are determined by its measurement focus. The Building Fund is accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Building Fund are accounted for in the basic financial statements of the Saddleback Valley Unified School District.

**NOTE 2 – BONDED DEBT:**

**General Obligation Bonds**

In March 2004 the voters approved the issuance of bonds, not to exceed \$180 million, for the purpose of paying for the cost of new construction, reconstruction or modernization of some or all of the schools within the District.

The outstanding general obligation bonded debt of Saddleback Valley Unified School District at June 30, 2005 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2004</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2005</u>
8/12/2004	2.0-6.0	8/1/2029	\$100,000,000	\$ -	\$100,000,000	\$ -	\$100,000,000

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM

FINANCIAL AUDIT

June 30, 2005

NOTE 2 - BONDED DEBT: (continued)

General Obligation Bonds (continued)

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2005, are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 5,880,000	\$ 4,455,039	\$ 10,335,039
2007	4,360,000	4,401,638	8,761,638
2008	690,000	4,340,788	5,030,788
2009	870,000	4,310,488	5,180,488
2010	1,045,000	4,281,763	5,326,763
2011-15	8,305,000	20,635,644	28,940,644
2016-20	15,190,000	17,981,000	33,171,000
2021-25	25,070,000	13,011,750	38,081,750
2026-30	<u>38,590,000</u>	<u>5,137,250</u>	<u>43,727,250</u>
Total debt service	<u>\$100,000,000</u>	<u>\$ 78,555,360</u>	<u>\$178,555,360</u>

The repayment of the debt related to the Measure B General Obligation Bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the Saddleback Valley Unified School District's basic financial statements.

NOTE 3 -PURCHASE COMMITMENTS:

As of June 30, 2005, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$24,500,000. Projects will be funded through bond proceeds, State Facilities program grants, State deferred maintenance allocations, capital facilities funds and general funds.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education  
Saddleback Valley Unified School District  
25631 Peter A. Hartman Way  
Mission Viejo, California 92691

**Chairman**

ROYCE A. STUTZMAN

**Partners**

PETER F. GAUTREAU

RENÉE S. GRAVES

WADE N. McMULLEN

KARIN HECKMAN NELSON

CARL PON

GEMA M. PTASINSKI

MARY ANN QUAY

LINDA M. SADDLEMIRE

**Principal**

JERI A. WENGER

**Senior Managers**

JANETTE CAMPS

CLAUDETTE ELIAS DAIN

TIMOTHY D. EVANS

PRISCILLA OSBORNE FLORES

PHEBE M. McCUTCHEON

SHARI PROSSER

COLLEEN K. TAYLOR

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Saddleback Valley Unified School District (the District) as of and for the year ended June 30, 2005 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2005. We have also audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Building Fund (Measure B Bond Program) of the Saddleback Valley Unified School District for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Saddleback Valley Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Saddleback Valley Unified School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs.

**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**

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saddleback Valley 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Controller's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

November 2, 2005

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM  
FINANCIAL AUDIT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2005**

The results of our audit disclosed an instance of non-compliance with Proposition 39 requirements. This item is reported in the Saddleback Valley Unified School District Proposition 39 General Obligation Bonds Measure B Performance Audit Report and has not been adjusted for in these financial statements.



**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM  
PERFORMANCE AUDIT**

**For the Fiscal Year Ended June 30, 2005**

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

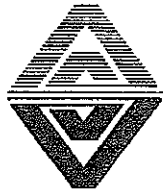
**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM**

**PERFORMANCE AUDIT**

**June 30, 2005**

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**INDEPENDENT AUDITOR'S REPORT**

The Board of Education  
The Citizens' Oversight Committee  
Saddleback Valley Unified School District  
25631 Peter A. Hartman Way  
Mission Viejo, CA 92691

*Chairman*  
ROYCE A. STUTZMAN

*Partners*  
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PHEBE M. McCUTCHEON  
SHARI PROSSER  
COLLEEN K. TAYLOR

We have examined the Saddleback Valley Unified School District's compliance with the performance requirements for the Proposition 39/Measure B General Obligation Bonds for the fiscal year ended June 30, 2005, 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 Saddleback Valley Unified School District's compliance with those requirements. Our responsibility is to express an opinion on the Saddleback Valley Unified School District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Saddleback Valley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Saddleback Valley Unified School District's compliance with specified requirements.

In our opinion, the Saddleback Valley Unified School District complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2005.

*Vicenti, Lloyd & Stutzman LLP*

VICENTI, LLOYD & STUTZMAN LLP

November 18, 2005

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM  
PERFORMANCE AUDIT**

**June 30, 2005**

**OBJECTIVES**

The objectives of our performance audit were to:

- determine the expenditures charged to the Saddleback Valley Unified School District Building Fund.
- determine whether 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 B in March 2004.
- note any incongruities or system weaknesses and provide recommendations for improvement.
- provide the District Board and the Citizens' Oversight Committee with a performance audit as specified under the requirements of the California Constitution and Proposition 39.

**SCOPE OF THE AUDIT**

The scope of our performance audit covered the period of July 1, 2004 to June 30, 2005. 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 not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2005 were not reviewed or included within the scope of our audit.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM  
PERFORMANCE AUDIT**

**June 30, 2005**

**BACKGROUND INFORMATION**

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions. In March 2004, a general obligation bond proposition (Measure B) of the Saddleback Valley Unified School District was approved by the voters of that District. Measure B authorized the District to issue up to \$180,000,000 of general obligation bonds to finance various capital projects and related costs, as specified in the bond measure provisions.

Pursuant to the requirements of Proposition 39 and related State legislation, the Board of Education of the District has established a Citizens' Oversight Committee and appointed its initial members. The principal purpose of the Citizens' Oversight Committee, as set out in State law, is to inform the public as to the expenditures made using the proceeds of the bonds issued pursuant to the Measure B bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Building Fund have been expended only for the authorized bond projects.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**PERFORMANCE AUDIT**

**June 30, 2005**

**PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure reports prepared by the District for the period of July 1, 2004 to June 30, 2005 for the Building Fund. Within the period audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure B with regards to the approved bond projects list. We performed the following procedures:

- reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure B election documents.
- selected a sample of expenditures for the period of July 1, 2004 to June 30, 2005 and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- 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. Furthermore, we verified that funds expended from the Building Fund were not used for salaries of school administrators or other operating expenses of the District.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM  
PERFORMANCE AUDIT**

**June 30, 2005**

**CONCLUSION**

Based upon our procedures performed, we found that for the items tested, except for the item disclosed in the Schedule of Findings and Recommendations, the Saddleback Valley Unified School District has properly accounted for the expenditures of the funds held in the Building Fund – Measure B Bond Program and that such expenditures were made for authorized bond projects. Furthermore, it was noted that the funds held in the Building Fund – Measure B Bond Program, and expended by the District, were not expended for salaries of school administrators or other operating expenditures.

Our examination disclosed an instance of non-compliance to the requirements of Proposition 39 that is disclosed in the accompanying Schedule of Findings and Recommendations.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE B BOND PROGRAM**  
**PERFORMANCE AUDIT**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**June 30, 2005**

**FINDING 05-1 – CHARGES TO THE MEASURE B BOND PROGRAM**

**Finding:** During our review of expenditures, we noted the following expenditure that was improperly charged to the Building Fund – Measure B Bond Program for the fiscal year ending June 30, 2005:

- Expenditure for chemistry and biology lab supplies for Trabuco Hills High School in the amount of \$42,905

**Recommendation:** Only expenditures that meet the requirements of Proposition 39, and are in accordance with the voter approved project list, should be recorded in the Building Fund – Measure B Bond program. The item referenced above should be transferred out of the Building Fund – Measure B Bond Program.

**District Response:** The District's opinion was that these items did meet the requirements under the refurbishing of classrooms criteria. After reviewing the items, the decision was made to charge these expenses to the Mello-Roos Fund. The adjustment has been made in the 2005-06 fiscal year.