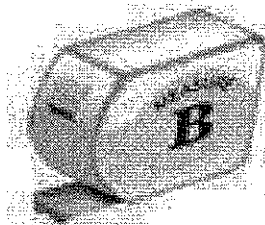


**SIXTH ANNUAL REPORT OF THE  
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE  
FOR MEASURE B**

**PRESENTED TO THE  
BOARD OF EDUCATION  
March 8, 2011**

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**For Fiscal Year 2009 - 2010  
Ending June 30, 2010**



## INTRODUCTION AND BACKGROUND

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. Additionally, the Committee is to assure that the improvement projects specified in Measure B are completed within the funding available from the Bond proceeds. 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 XIVA, Section 1(b)(3) of the California Constitution;
- A summary of the Committee's proceedings and activities for the preceding year; and
- A presentation to the Board of the annual financial and performance audits.

## PURPOSE OF THIS REPORT

The purpose of this Annual Report is to cover the activities of the Committee for Fiscal Year 2009-10. This will be the sixth Annual Report to the Board.

## COMMITTEE MEMBERSHIP

The Committee consists of members residing 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**.

At the October 13, 2009 District Board of Education Meeting, a state waiver was approved to retain, for an additional two-year term, six (6) of its original ten (10) Citizens' Oversight Committee Members.

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 agenda beyond the normal legal minimum requirements. The Committee meetings are normally held quarterly at 8:30 a.m. at the District office. Attendance by the public has been sparse.

The District staff provides clerical 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's 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 COC meeting to review, discuss and finalize the agenda, then staff distributes the agenda to Committee members and post as required under the Brown Act. An agenda for the recent meeting is included in **Attachment 4** to provide information on the structure and items generally discussed at a meeting. The committee met quarterly during this reporting period.

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**. The Committee members generally request information from staff, which is then prepared for discussion and presentation at a future meeting. District staff prepares a list of requested items with the status of the request. A key item of information discussed at each meeting is a staff provided Consolidated Expenditure Report, which is included as **Attachment 6**. The Committee Members generally request information from staff which is then prepared for discussion and presentation at a future meeting.

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 and specified school projects as determined by the District in the Facilities Master Plan. This section further requires that a financial audit be performed to ensure that funds have been expended for only specified projects. In furtherance of this requirement, the Committee received the following reports from staff for the Committee to review project and financial compliance.

**Use of Bond Proceeds:** The Committee reviewed the quarterly report of expenditures for school improvements with the most recent dated June 30, 2010. This was prepared by District Facilities

staff. The report showed that all expenditures identified were project related expenditures plus other miscellaneous costs allowed in the Constitution. The Committee reviewed this report and found it acceptable. At the request of the Committee, the District reviewed and audited specific expenditures.

**Status of Construction Activities:** Many construction projects were completed in 2009-2010.

**Annual Financial and Performance Audit:** The members of the Committee received the following reports prepared by the District's Auditor Vicenti-Lloyd-Stutzman LLP:

- SVUSD – Proposition 39 General Obligation Bond Measure B Bond Program Audit – For Fiscal Year Ended June 30, 2010; and
- SVUSD – Proposition 39 General Obligation Bond Measure B Bond Financial Audit – For Fiscal Year Ended June 30, 2010

**Presentation to the Board of Education:** The Committee authorized the transmittal of this report to the Board and its presentation to the Board of Education meeting on March 8, 2011 which is included as **Attachment 7**.

## **COMMITTEE'S PROCEEDINGS AND ACTIVITIES**

The primary activities of the Committee for 2009-10 were:

- monitor status of the school improvement projects
- review the expenditure of funds for improvements at each school site by project
- report on the challenges being faced by staff as they proceed with the improvement projects such as finances, and modification to proposed improvements
- visit school improvement sites to see the actual construction work with inspections scheduled on the third Thursday of each month at 8:30 a.m.

A key activity and concern of the Committee has been site inspections throughout the year. During these inspections, Committee Members generally spent time with principals to discuss construction activities as well as District staff and Consultants. The Committee visited a total of five (5) campuses (visits to some campuses multiple times to inspect progress). They were:

- Del Lago Elementary School
- Gates Elementary School
- Serrano Intermediate School
- El Toro High School
- Trabuco Hills High School

For the future, the Committee will certainly continue its efforts on monitoring the expenditure of funds and improvements to the many school sites in conformity to the Measure B improvement program. Additionally, the Committee will closely review all construction and financial

information as a possible warning sign that not all the projects in Measure B may be completed because of fund availability concerns.

### **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 Noemi Avila-Zamudio, Coordinator, Facilities Planning and Construction, has been supportive and accommodating to the Committee's needs and desires. We certainly look forward to any comments the Board of Education may have on our efforts in meeting our responsibilities to the Board, the District, and the community.

### **ATTACHMENTS**

1. Committee Member Bylaws
2. Committee Members
3. Biographical Information
4. Most Recent Meeting Agenda
5. Most Recent Board Approved Minutes
6. Most Recent Consolidated Expenditure Report
7. Annual Financial and Performance Audit Report

## RESOLUTION NO. 44:03-04

**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

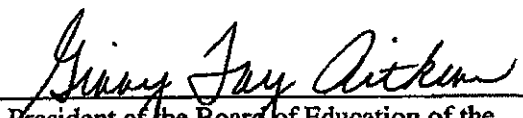
WHEREAS, more than fifty-five percent of the votes cast on the measure were in favor of issuing the Bonds; and

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.

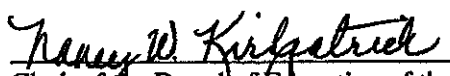
NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT DOES HEREBY FIND, DETERMINE AND CERTIFY AS FOLLOWS:

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:

  
President of the Board of Education of the  
Saddleback Valley Unified School District

ATTEST:

  
Clerk of the Board of Education of the  
Saddleback Valley Unified School District

STATE OF CALIFORNIA        )  
  )  
COUNTY OF ORANGE         )

I, Nancy W. Kirkpatrick, Clerk of the Board of Education of the Saddleback Valley Unified School District, hereby certify that the foregoing Resolution No. 44:03-04 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:                    6\*  
NOES:                    0  
ABSENT:                 0  
ABSTENTIONS:         0

\*Includes student preferential vote

By: Nancy W. Kirkpatrick  
Clerk 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.

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**District's Citizens' Oversight Committee for Measure B**

*2009-2010 Fiscal Year*

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**Donald Froelich, Chair**  
*Taxpayer's Association*

**Dolores Winchell, Vice-Chair**  
*Parent of SVUSD Student/Active in PTA*

**Joann Case**  
*Parent of SVUSD Student/Active in PTA*

**Mauricio Escobar**  
*Community At Large*

**Ernestine Jones**  
*Business Organization*

**Stuart Luce**  
*Senior Citizen Organization*

**Nikki Meyers**  
*Business Organization*

**George Perez**  
*Construction Industry*

**Steven Soo**  
*Parent of SVUSD Student*

**Zachary Toross**  
*Business Organization, Property/Facilities Management, and Construction Industry*

***Citizens' Oversight Committee for Measure B  
Brief Biographical Information  
For Period Ending June 30, 2010***

**DONALD R. FROELICH – Chairman**[donaldfroelich@cox.net](mailto:donaldfroelich@cox.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.

**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 served on Site Council for both Rancho Canada Elementary and Serrano Intermediate. She has also been active in the Parent Teacher Association since her daughter was in kindergarten. She has served as PTA President for Rancho Canada Elementary as well as the Saddleback Valley PTA Council. Her daughter Alexis attends Laguna Hills High School while her son is a student at Rancho Canada Elementary.

**JOANN CASE – Member**

Joann Case comes from a background of 17 years in the teaching profession and understands the importance of the learning environment to a successful educational program. Mrs. Case spends many hours volunteering in the school and community. She understands how important it is to know what is happening in the schools at all times. Mrs. Case volunteers and never says "no" to a good cause. She is self-employed as a real estate agent, but takes the time to spend many volunteer hours serving in the community. The Rañcho Canada PTA, Kiwanis, and Lake Forest 4th of July Parade Committee are among her volunteer commitments. She has also served on the School Site Council at Rancho Cañada where her two sons currently attend school.

**MAURICIO ESCOBAR – Member**[monito81@hotmail.com](mailto:monito81@hotmail.com)

Mauricio Escobar represents the Community at Large on the Citizens' Oversight Committee. He and his wife, Yvette, are parents of a student that attends Gates Elementary in the Dual Immersion Program. For the past two years he has been employed as a Buyer for the Santa Ana Unified School District. Mr. Escobar is actively involved at Lighthouse to the Nations in Lake Forest for the past five years working as logistics and special project coordinator. Mr. Escobar received his Bachelor of Arts

***Citizens' Oversight Committee for Measure B  
Brief Biographical Information  
For Period Ending June 30, 2010***

Degree in Communications from California State University, Fullerton. During his free time he loves to play soccer and enjoys running and riding his bicycle.

**ERNESTINE JONES – Member**

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

Ernestine Jones brings a solid mix of public and private sector experience to the Bond Measure Citizens' Oversight Committee. As the Finance Manager/Treasurer for the City of Laguna Woods, Ms. Jones regularly deals with issues concerning municipal finance and accountability. She is a CA Certified Municipal Treasurer and holds a Business degree from Auburn University and Master's 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 is a member and previously served as the Auditor for the Trabuco Hills High School Parent Teacher Association (PTA). She also 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.

**STUART LUCE – Member**

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

Stuart Luce and his wife have lived in Laguna Hills since 1980 and their two daughters attended several Saddleback Valley Unified School District schools: Valencia Elementary, Los Alisos Intermediate and Laguna Hills High from which they both graduated. Their daughters and their daughters' families also live in Laguna Hills where their oldest granddaughter is a senior and a cheerleader for the (currently) undefeated 2009 LHHS football team. Two other grandchildren attend Valencia Elementary and the fourth is in preschool. Mr. Luce retired after 33 years with the McDonnell Douglas Aircraft Company where he was in System Engineering and Program Management positions. He received his Bachelor of Science Degree in Electrical Engineering from North Carolina State College in 1961 and furthered his education with graduate level engineering and business management courses at UCLA.

**NIKKI MEYERS – Member**

[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.

**GEORGE PEREZ – Member**

[georgep@bayley.net](mailto:georgep@bayley.net)

George Perez represents the Construction Community on the Citizens' Oversight Committee. He will use his 29 years in the construction industry to assist in guiding the COC in their oversight duties. Mr.



***Citizens' Oversight Committee for Measure B  
Brief Biographical Information  
For Period Ending June 30, 2010***

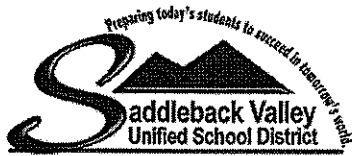
Perez is an expert in construction management and specifically in cost estimating and cost savings alternatives. He has used his skills in carpentry as a volunteer in the Drama Department at Mission Viejo High School and as a parent volunteer in the MVHS Agriculture Department. A resident of Mission Viejo, Mr. Perez received his Bachelor of Science Degree from Cal Poly University, Pomona.

**STEVEN SOO – Member**

Steven Soo is a Project Manager with the County of Orange Public Works for over 21 years. As an Engineer, Steven has extensive experience in roadway design, transportation funding programs, and A-E contract administration. Steven received his Bachelor of Science Degree in Construction Engineering Management from California State University, Long Beach and completed his Project Management Program at Caltech Pasadena. He is CA licensed Engineer.

**ZACHARY TOROSS – Member**

Zachary Toross has over 30 years of civil and structural engineer experience. Mr. Toross represents the Business Organization, Property/Facilities Management, and Construction Industry on the Citizens' Oversight Committee. He received his Bachelor of Science degree in Civil Engineering from the City University of London in London, England. He also has an Advanced Level Science degree in Mathematics and Physics from Acton Technical College, Acton, England.



**AGENDA**  
**Citizens' Oversight Committee for Measure B**  
**8:30 a.m., Thursday, November 18, 2010**  
**Saddleback Valley Unified School District Education Center**

1. Call to Order .....Donald Froelich, Chairman

a. Roll Call, Members:

Joann Case	Stuart Luce	Zachary Toross
Mauricio Escobar	Nikki Meyers	Dolores Winchell
Donald Froelich	George Perez	
Ernestine Jones	Steven Soo	

2. Approval of August 19, 2010 Meeting Minutes

3. Public Comment on Agenda Items

4. Welcome SVUSD Superintendent, Dr. Clint Harwick ..... Donald Froelich, Chairman  
Welcome Assistant Superintendent of Business Services, Geri Partida..... Chairman

**ACTION ITEMS**

5. Citizens' Oversight Committee Vacancy & Term of Office ..... Donald Froelich, Chairman  
a. Resignation of Vice-Chairman..... Dolores Winchell  
b. Election of Officers .....Donald Froelich, Chairman

**REPORTS**

6. Chairman and Committee Member's Report ..... Donald Froelich, Chairman  
a. Annual Report Presentation to the SVUSD ..... Donald Froelich, Chairman  
Board of Education Fiscal Year 2009-2010  
b. Report on Site Inspection Tour ..... Committee Members  
Santiago Elementary School ..... Committee Member  
Portola Hills Elementary School ..... Committee Member

7. Facility Planning & Construction  
a. Update on Construction Projects ..... Noemi Avila-Zamudio  
b. Litigation Update ..... Dr. Clint Harwick

8. Financial  
a. Report on Consolidated Expenditure Report ..... Beverly Wilson

**DISCUSSION ITEMS**

9. Public Comment on Non-Agenda Items

10. Future Agenda Items

**“D R A F T” AGENDA**  
**Citizens’ Oversight Committee for Measure B**  
**8:30 a.m., Thursday, November 18, 2010**  
**Saddleback Valley Unified School District Education Center**

11. Next Regular Meeting

The next regular meeting will take place on Thursday, February 17, 2011. The meeting will begin at 8:30 a.m. in the Saddleback Valley Unified School District Education Center

12. Adjourn

On motion of \_\_\_\_\_, seconded by \_\_\_\_\_, the Citizens’ Oversight Committee adjourned the meeting of November 18, 2010 at \_\_\_\_\_ a.m.

Measure B  
as of January 31, 2011

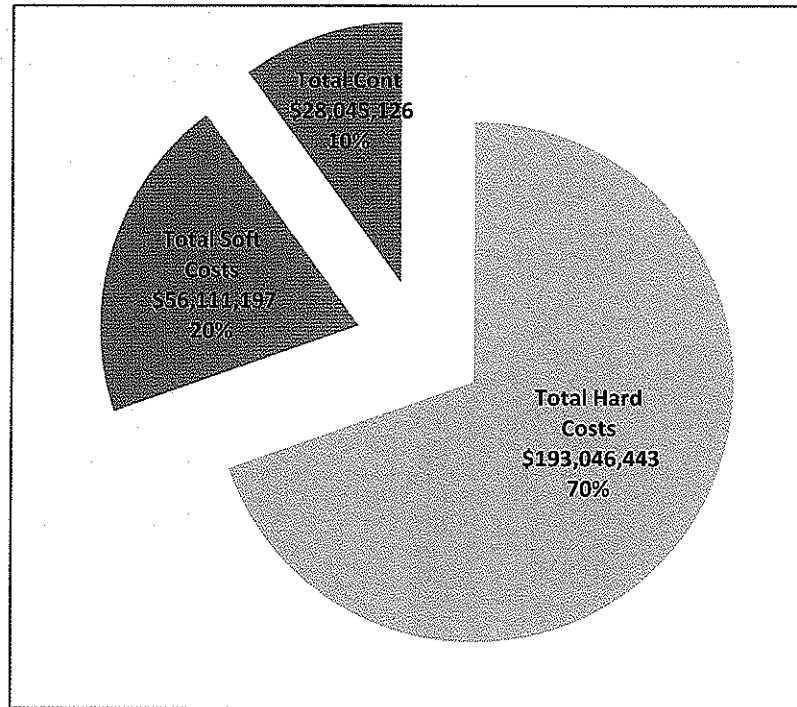
### Hard Cost, Soft Cost, and Contingency Budget Breakdown \$277,202,766

**Soft Costs** - cost associated with planning, design, and coordination of a construction project.

- 49% Architect/Consultant Fees
- 20% Construction Management Services
- 4% Legal Fees
- 3% Div. of State Architect/CDE Fees
- 2% Labor Compliance Requirements
- 5% Interim Housing/Move Mngt
- 14% Testing and Inspection
- 1% Abatement
- 2% Planning Contingency

**Contingency** - any additional monies segregated to support a project or the program.

- 20% Individual Project Contingency
- 80% Program Contingency



**Hard Costs** - work and cost associated with actual construction.

- 86% Main Construction Contracts (General or Multiple Prime Contractors)
- 1% Shade Structure Projects
- 1% Field Restroom Building
- 1% Upgrade Play Surface Project
- 1% Telephone System Upgrade
- 1% Technology Projects
- 1% Safety & Security Projects
- 8% Field Renovation Projects

**Measure B - Consolidated Expenditure Report**  
**Includes State and Local Dollars**



January 31, 2011

SITE	BUDGET	ENCUMBERANCES / EXPENSES			BUDGET REMAINING
		COMMITTED	EXPENDITURES & RETENTIONS	CONTRACT BALANCE	
Aliso	2,590,331	2,590,331	2,573,104	17,228	0
Cielo Vista	3,705,808	2,007,511	2,006,451	1,060	1,698,297
Cordillera	2,574,555	2,574,555	2,574,555	0	0
De Portola	2,843,652	2,843,652	2,843,652	0	0
Del Cerro	1,346,154	1,269,789	1,269,009	780	76,365
Del Lago	7,213,248	6,875,119	6,865,159	9,960	338,129
El Toro HS	28,163,621	28,154,300	28,143,018	11,282	9,321
Esperanza	4,510,942	4,525,123	4,482,968	42,155	(14,181)
Foothill	1,989,085	1,418,409	1,418,409	0	570,676
Gates	2,308,536	1,907,147	1,867,197	39,950	401,388
Glen Yermo	7,939,618	7,939,618	7,939,618	0	0
La Madera	7,237,432	6,829,014	6,803,981	25,033	408,418
La Paz	11,034,069	10,973,489	10,948,208	25,281	60,580
La Tierra	2,348,528	1,403,608	1,403,608	0	944,921
Laguna Hills HS	19,453,386	19,363,067	19,357,067	6,000	90,319
Lake Forest	2,867,787	1,241,646	1,241,646	0	1,626,141
Linda Vista	4,360,439	2,598,272	2,488,697	109,575	1,762,167
Lomarena	7,815,513	7,787,396	7,787,396	0	28,117
Los Alisos	16,299,930	16,431,983	16,337,463	94,520	(132,053)
Melinda Heights	1,139,534	941,257	941,257	0	198,276
Mission Viejo HS	17,413,241	17,275,809	17,256,179	19,630	137,432
Montevideo	9,637,907	9,568,571	9,553,947	14,624	69,336
Olivewood	2,892,219	2,877,444	2,805,552	71,891	14,776
O'Neill	1,256,001	1,256,001	1,256,001	0	0
Portola Hills	1,945,131	1,782,515	1,725,800	56,715	162,616
Rancho Canada	6,075,282	6,075,282	6,075,282	0	0
Rancho Santa Margarita	2,800,496	2,763,592	2,763,592	0	36,904
Robinson	1,253,102	879,051	856,788	22,263	374,051
San Joaquin	5,961,508	5,961,508	5,961,508	0	0
Santiago	942,403	706,101	696,005	10,095	236,302
Serrano	21,179,661	21,294,525	21,242,506	52,018	(114,864)
Silverado/District Office	9,610,451	8,668,766	8,663,712	5,054	941,685
Trabuco Elementary	3,111,515	3,105,543	3,105,543	0	5,972
Trabuco Hills HS	23,568,279	21,555,839	20,795,985	759,854	2,012,440
Trabuco Mesa	3,596,584	679,075	483,794	195,281	2,917,509
Valencia	3,715,592	3,694,027	3,689,100	4,927	21,565
Measure B Administration	1,697,565	1,582,119	1,445,207	136,912	115,446
<b>Sub Total</b>	<b>254,399,106</b>	<b>239,401,055</b>	<b>237,668,967</b>	<b>1,732,089</b>	<b>14,998,051</b>

Measure B Holding/Interest	12,307,845	428,437	364,622	63,815	11,879,408
Measure B DW Contingency	259,885	0	0	0	259,885
Measure B Program Contingency	10,235,930	0	0	0	10,235,930
<b>GRAND TOTAL</b>	<b>277,202,766</b>	<b>239,829,493</b>	<b>238,033,589</b>	<b>1,795,904</b>	<b>37,373,274</b>

Issued: BWilson

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**June 30, 2010**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Saddleback Valley Unified School District, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated November 29, 2010. 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, 2010. 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 Measure B Bond Program 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 Measure B Bond Program are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Measure B Bond Program 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 Measure B Bond Program of the Saddleback Valley Unified School District as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.



The Board of Education  
The Citizens' Oversight Committee  
Saddleback Valley Unified School District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010 on our consideration of the Saddleback Valley Unified School District's internal control over financial reporting for the Measure B Bond Program and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters related to the Measure B Bond Program. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



VICENTI, LLOYD & STUTZMAN LLP

November 29, 2010

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**BUILDING FUND - MEASURE B BOND PROGRAM**

**June 30, 2010**

**ASSETS**

Cash in County Treasury	\$ 10,425,070
Accounts Receivable:	
Interest Receivable	8,083
Due from Other Funds	567
Prepaid Expenditures	<u>3,600</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,437,320</u></b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$ 1,041,847
Due to Other Funds	<u>322</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,042,169</u></b>

**FUND BALANCE**

Undesignated	<u>9,395,151</u>
<b>TOTAL FUND BALANCE</b>	<b><u>9,395,151</u></b>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 10,437,320</u></b>
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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, 2010**

**REVENUES**

Interest Income	\$ 182,971
<b>TOTAL REVENUES</b>	<u>182,971</u>

**EXPENDITURES**

Classified Salaries	209,053
Employee Benefits	95,843
Supplies and Materials	170,892
Contracted Services and Other Expenses	1,416,983
Capital Outlay	<u>8,981,213</u>
<b>TOTAL EXPENDITURES</b>	<u>10,873,984</u>

Deficiency of Revenues over Expenditures (10,691,013)

**OTHER FINANCING SOURCES**

Interfund Transfers In	<u>3,289,604</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>3,289,604</u>

Deficiency of Revenues over Expenditures and Other Sources (7,401,409)

Fund Balance at Beginning of Year 16,796,560

Fund Balance at End of Year \$ 9,395,151

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, 2010**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Interest Income	\$ 180,858	\$ 182,971	\$ 2,113
<b>TOTAL REVENUES</b>	<u>180,858</u>	<u>182,971</u>	<u>2,113</u>
<b>EXPENDITURES</b>			
Classified Salaries	210,079	209,053	1,026
Employee Benefits	97,481	95,843	1,638
Supplies and Materials	175,190	170,892	4,298
Contracted Services and Other Expenses	1,577,317	1,416,983	160,334
Capital Outlay	7,713,750	8,981,213	(1,267,463)
<b>TOTAL EXPENDITURES</b>	<u>9,773,817</u>	<u>10,873,984</u>	<u>(1,100,167)</u>
Deficiency of Revenues over Expenditures	<u>(9,592,959)</u>	<u>(10,691,013)</u>	<u>(1,098,054)</u>
<b>OTHER FINANCING SOURCES</b>			
Interfund Transfers In	<u>-</u>	3,289,604	3,289,604
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>3,289,604</u>	<u>3,289,604</u>
Deficiency of Revenues over Expenditures and Other Sources	<u>\$ (9,592,959)</u>	<u>(7,401,409)</u>	<u>\$ 2,191,550</u>
Fund Balance at Beginning of Year		<u>16,796,560</u>	
Fund Balance at End of Year		<u>\$ 9,395,151</u>	

See the accompanying notes to the financial statements.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**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 Measure B Bond Program 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 Measure B Bond Program 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**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**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 Measure B Bond Program are determined by its measurement focus. The Measure B Bond Program 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 Measure B Bond Program are accounted for in the basic financial statements of the Saddleback Valley Unified School District.

**ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – DEPOSITS AND INVESTMENTS:**

**Deposits**

**Cash in County**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Orange County Treasury as part of the common investment pool. These pooled funds are carried at cost which approximates fair value. The fair market value of the District’s deposits for the Measure B Bond program in this pool as of June 30, 2010, as provided by the pool sponsor, was \$10,422,912.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The funds maintained by the County are either secured by federal depository insurance or are collateralized. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 3 -- 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, 2010 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2009</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2010</u>
8/12/2004	2.0-6.0	8/1/2029	\$100,000,000	\$ 88,200,000	\$ -	\$1,045,000	\$ 87,155,000
1/24/2007	3.5-5.0	8/1/2030	<u>60,000,000</u>	<u>52,000,000</u>	-	<u>1,465,000</u>	<u>50,535,000</u>
			<u>\$160,000,000</u>	<u>\$140,200,000</u>	<u>\$ -</u>	<u>\$2,510,000</u>	<u>\$137,690,000</u>

The annual requirements to amortize all bonds payable, outstanding as of June 30, 2010, are as follows:

**2004 Series A**

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,230,000	\$ 4,246,100	\$ 5,476,100
2012	1,425,000	4,197,612	5,622,612
2013	1,645,000	4,136,213	5,781,213
2014	1,880,000	4,068,063	5,948,063
2015	2,125,000	3,987,656	6,112,656
2016-2020	15,190,000	17,981,000	33,171,000
2021-2025	25,070,000	13,011,750	38,081,750
2026-2030	<u>38,590,000</u>	<u>5,137,250</u>	<u>43,727,250</u>
Total debt service	<u>\$ 87,155,000</u>	<u>\$ 56,765,644</u>	<u>\$ 143,920,644</u>

SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

PROPOSITION 39 GENERAL OBLIGATION BONDS  
MEASURE B BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

**NOTE 3 – BONDED DEBT: (continued)**

**General Obligation Bonds (continued)**

**2007 Series A**

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,525,000	\$ 2,274,156	\$ 3,799,156
2012	1,585,000	2,211,956	3,796,956
2013	1,650,000	2,151,381	3,801,381
2014	1,710,000	2,088,306	3,798,306
2015	1,775,000	2,018,606	3,793,606
2016-2020	10,030,000	8,903,230	18,933,230
2021-2025	12,590,000	6,254,684	18,844,684
2026-2030	16,005,000	2,764,063	18,769,063
2031	3,665,000	82,462	3,747,462
Total debt service	<u>\$ 50,535,000</u>	<u>\$ 28,748,844</u>	<u>\$ 79,283,844</u>

**NOTE 4 – PURCHASE COMMITMENTS:**

As of June 30, 2010, the District was committed under various capital expenditure purchase agreements for construction and modernization projects totaling approximately \$2,300,000. Projects will be funded through bond proceeds.



**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**NOTE 5 – COMMITMENTS AND CONTINGENCIES:**

**Litigation**

The District has been named as defendant in several lawsuits. The District's attorneys have reported that in two construction litigation matters, there is a potential liability currently estimated to be up to \$1.4 million. This liability is contingent on the outcome of the litigation and is therefore not reported in these financial statements.

**NOTE 6 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

There were excess expenditures over appropriations, by major object accounts, that occurred in the Measure B Bond Program.

Capital Outlay	\$ 1,267,463
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2010 which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 29, 2010. 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 District for the fiscal year ended June 30, 2010. 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Measure B Bond Program financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

**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***

Our consideration of internal control over fund financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure B Bond Program 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, Citizens' Oversight Committee and management, 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 29, 2010

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**SCHEDULE OF FINDINGS AND RESPONSES**

**June 30, 2010**

There are no findings related to the financial audit of the Measure B Bond program for the fiscal year ended June 30, 2009 and June 30, 2010.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS**

**MEASURE B BOND PROGRAM**

**PERFORMANCE AUDIT**

**June 30, 2010**

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INDEPENDENT AUDITORS' REPORT

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

We have conducted a performance audit of the Saddleback Valley Unified School District (the "District"), Measure B General Obligation Bond funds for the year ended June 30, 2010.

We conducted our performance audit in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the Saddleback Valley Unified School District's compliance with the performance requirements for the Proposition 39 Measure B General Obligation Bonds 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.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of Saddleback Valley Unified School District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, Saddleback Valley Unified School District expended Measure B General Obligation Bond funds for the year ended June 30, 2010 only for the specific projects developed by the District's Board of Trustees and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

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

November 29, 2010

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**June 30, 2010**

**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, 2010**

**OBJECTIVES**

The objectives of our performance audit were to:

- Document 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, 2009 to June 30, 2010. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2010 were not reviewed or included within the scope of our audit.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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

**PERFORMANCE AUDIT**

**June 30, 2010**

**PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2010, for the Building Fund. 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:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure B election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2010, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- 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. 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  
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**June 30, 2010**

**CONCLUSION**

The results of our tests indicated that, in all significant respects, the Saddleback Valley Unified School District has properly accounted for the expenditures of the funds held in the Building Fund and that such expenditures were made on authorized bond projects. Further, it was noted that the funds held in the Building Fund and expended by the District were not expended for salaries of school administrators or other operating expenditures.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**PROPOSITION 39 GENERAL OBLIGATION BONDS  
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**SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2010**

There are no findings related to the performance audit for the fiscal year ended June 30, 2010.