

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

**PRESENTED TO THE  
BOARD OF EDUCATION  
March 8, 2018**

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

**For Fiscal Year 2016 - 2017  
Ending June 30, 2017**



## 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 was established 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 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 2016-17. This will be the Thirteenth 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 various 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 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. An agenda for the most recent meeting is included in **Attachment 4** to provide information on the structure

and items generally discussed at a meeting. The committee met in November and February during this reporting period.

Additionally, District staff prepares Meeting Minutes 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**.

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 A, 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 reviews expenditure reports for school improvements at every meeting. This is prepared by District Accounting staff. The reports showed that all expenditures identified were project related expenditures plus other miscellaneous costs allowed in the Constitution. The Committee reviews the reports and found them acceptable.

**Status of Construction Activities:** Construction of the Modernization Projects at Cielo Vista and Trabuco Mesa Elementary Schools were completed in 2016-17.

**Annual Financial and Performance Audit:** The members of the Committee received the following reports prepared by the District's Auditor Vavrinek, Trine, Day & Co., LLP

- Saddleback Valley Unified School District  
Building Fund (Measure B)  
Financial and Performance Audits  
June 30, 2017

**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, 2018 which is included as **Attachment 7**.

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

The primary activities of the Committee for 2016-17 were:

- attend regular committee meetings
- monitor status of the school improvement projects
- review the expenditure of funds for improvements at each school site by project

For the future, the Committee will certainly continue its efforts on monitoring the expenditure of funds and remaining improvements as Measure B is near completion.

## **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 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

## **AMENDED AND RESTATED 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 Superintendent or his/her designee.

(c) Review the District's efforts to maximize Bond Proceeds in ways designed to: (1) reduce costs of professional fees or site preparation; (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 or his/her designee.

## **Section 5. MEMBERSHIP**

5.1 Number. The Committee shall consist of 7-10 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) 2-5 general member

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 resident 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 or his/her designee shall conduct a nomination process to ensure that each person nominated meets the qualification standards set forth in Section 5.2. The Superintendent or his/her designee 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 or his/her designee 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 Article 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 Exhibit 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. If necessary, the District may request a Waiver from the State Board of Education to allow a member or members to serve 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 once each year.

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 Section 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 minutes of the proceedings of the Committee and all documents received and reports issued by the Committee and any other Committee records, and providing public access to such records, including the posting of minutes of the proceedings of the Committee and all documents received and reports issued by the Committee and any other Committee records on the Internet website maintained by the District.

7.2 District staff shall attend all Committee proceedings in order to report on the status of projects and expenditure of the Bond Proceeds.

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) the Committee issues a final report after all Bond Proceeds are spent, or (b) the Committee issues a final report after 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.

## EXHIBIT A

### INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE ETHICS POLICY STATEMENT

This Ethics Policy Statement provides general guidelines for Committee members to follow. Not all ethical issues that Committee members face are covered in this Ethics Policy Statement. However, the guidelines set forth in this Ethics Policy 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 Statement. 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 (2) 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 (2) 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 Unified School District  
Measure B  
Citizens' Oversight Committee Members  
Fiscal Year 2016-17**

Donald Froelich, Chair  
Business Organization, General Member, Senior Citizen's Organization, Taxpayer's Association

Walter Fawcett  
Business Organization, General Member, Parent of SVUSD Student

Ernestine Jones  
Business Organization

Matthew Kasa  
Parent of SVUSD Student, Parent-Teacher Organization

Laura Mahfood  
General Member

Stuart Luce  
Senior Citizen's Organization

Mark Tettermer  
General Member

**Saddleback Valley Unified School District**  
**Measure B**  
**Citizens' Oversight Committee**  
**Biographical Information**

**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 the Water Utility Manager for the City of Glendale for 14 years before recently entering into semi-retirement. He currently is President of the Board of Directors of the Moulton Niguel Water District. 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 a master's degree in Civil Engineering from the University of Southern California and a law degree from Blackstone College. In addition to his engineering background, Mr. Froelich was an adjunct professor at Santiago Canyon College in Orange teaching Water Utility Management. He resides in Laguna Hills.

**WALTER FAWCETT**– Member

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

Walter Fawcett is the founder and president of Fawcett Technology Advisors, a consulting firm that helps businesses manage growth with Client Relationship Management software. Walter has over 25 years of experience in a broad range of business technology disciplines including consulting, application development and infrastructure design. He has worked for a range of companies including IBM, Oracle, Wal-Mart, Affinity Development Group, Boeing and USF&G Insurance.

Walter lives in south Orange County with his wife and three daughters (MVHS 2012, MVHS 2015 and MVHS 2019). Walter's wife, Joy Fawcett, played 18 years with the US National Soccer team which included 2 Olympic Gold Medals and 2 World Cup Championships. Walter has served on Board of Directors for South Slammers FC, Saddleback United Soccer Club and the Orange County Chapter of the Association for Corporate Growth.

**ERNESTINE JONES** – Member

[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 Finance Director for a Municipality, 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. She is an active member of the CA Municipal Treasurers Association and CA Society of Municipal Treasurers Association board member.

The parent of a Trabuco Hills High School graduate, Ms. Jones has been active in District activities for many years. She was 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.

**MATTHEW A. KASA – Member**

[mkasa@woodburyfinancial.net](mailto:mkasa@woodburyfinancial.net)

As a Financial Advisor, Matthew is passionate about helping Saddleback Valley families and small businesses realize their financial goals. Matthew's wife and three children live in Lake Forest and all three children will eventually attend school at Saddleback Valley School District. Matthew is a member of his child's parent-teacher organization at Gates Elementary School and has more than 12 years of professional experience. After an honorable discharge for the U.S. Marine Corps, Matthew graduated from California State University, Fullerton with a Bachelor's degree in Business Administration concentrating in Financial Planning.

**STUART LUCE – Member**

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

Stuart Luce and his wife have lived in Laguna Hills since 1980 where 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. Both daughters have also lived in Laguna Hills, off and on, with their respective families. The oldest granddaughter was a cheerleader for the (undefeated) 2009 LHHS football team before graduating that spring, and two grandsons attended Valencia Elementary before their family moved to Ohio. Mr. Luce retired after 33 years with the McDonnell Douglas Aircraft Company where he held 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.

**LAURA MAHFOOD – Member**

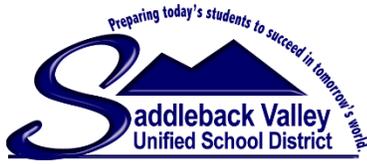
[limahfood@gmail.com](mailto:limahfood@gmail.com)

Ms. Mahfood graduated from Capistrano Valley High School and earned her Bachelors of Arts Degree in Economics from San Diego State University. She is a resident of Laguna Hill's since 1995. Her son and daughter went to Valencia Elementary school where she volunteered in the Art Master's program teaching art lessons to her children's classes. Both children graduated from Laguna Hills High School and were active in water polo and tennis. Ms. Mahfood is currently the Facilities Manager at Garden Grove Unified School District and has worked both as a consultant and district employee. She has been involved in planning and construction and is knowledgeable in budgets and schedules for public works contracts.

**MARK TETTEMER – Member**

[tetter4@cox.net](mailto:tetter4@cox.net)

Mark Tettermer has many years of experience in the public sector, both as staff as well as an elected official, where he has worked on planning, policy, legislation, and regulatory matters. For the past thirteen years, Mr. Tettermer has worked for a regional water agency where he works on water resource issues. Mr. Tettermer served on the City of Lake Forest Planning Commission from 2002 – 2004, was on City Council from 2005 – 2012, and was the Mayor of the City of Lake Forest in 2008 & 2009. He also was a Board Member on the Orange County Fire Authority from 2006 – 2012 and served as the Chairman of the Board from December 2010 – August 2012. Mr. Tettermer has been active with SVUSD for many years. He was a member of PTA for many years while his kids attended La Madera Elementary School and has volunteered at El Toro High School's Grad Night and on the El Toro High School Boys Volleyball Booster Club. Mr. Tettermer is married to his wife of 28 years, Brenda, and has two kids, daughter Kylie (ETHS Class of 2012) who is graduated from California State University, Fullerton and son Garrett (ETHS Class of 2016) who is attending California Polytechnic, San Luis Obispo. Mr. Tettermer has a Business Degree and a Master's Degree in Public Administration.



**AGENDA**

**Citizens' Oversight Committee for Measure B  
8:30 a.m., Thursday, February 16, 2017**

**Saddleback Valley Unified School District Education Center**

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

Donald Froelich	Matthew Kasa
Ernestine Jones	Mark Tettemer
Stuart Luce	Walter Fawcett

2. Approval of November 17, 2016 Meeting Minutes

3. Public Comment on Agenda Items

**OLD BUSINESS**

- 4. Citizens' Oversight Committee Members Term Update  
California Department of Education Waiver for Donald Froelich, Ernestine Jones and Stuart Luce  
Term Renewals for Matthew Kasa, Mark Tettemer and Walter Fawcett

**NEW BUSINESS**

- 5. New Board Member Selection Process and Timeline

**ACTION ITEMS**

- 6. Approval of Amended and Restated Independent Citizen's Oversight Committee Bylaws
- 7. Election of Vice-Chair
- 8. Acceptance of Prop. 39 Financial and Performance Audit Report.....Vavrinek, Trine, Day & Co., LLP
- 9. Approval of 12<sup>th</sup> Annual Citizens' Oversight Committee Report..... Donald Froelich, Chairman

**REPORTS**

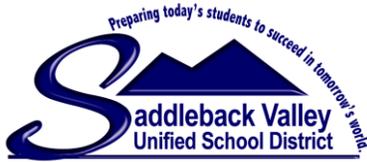
- 10. Facilities Planning & Construction Update on Construction Projects .....Stella Escario-Doiron
- 11. Financial Consolidated Expenditure Report ..... Tiffany Volpe

**DISCUSSION ITEMS**

- 12. 2016-17 Calendar
- 13. Public Comment on Non-Agenda Items
- 14. Future Agenda Items
- 15. Next Regular Meeting

The next regular meeting will take place on Thursday, May 18, 2017. The meeting will begin at 8:30 a.m. (Location: District Education Center Board Room)

16. Adjourn



## Meeting Minutes

Measure B Citizens' Oversight Committee

8:30 a.m., February 16, 2017, District Education Center

The following minutes are the unofficial proceedings and have been approved for public viewing but have not been officially accepted by the Citizens' Oversight Committee (COC) until the scheduled August 17, 2017 Committee Meeting.

### 1. Call to Order

The Regular Quarterly Meeting of the Citizens' Oversight Committee was called to order by Chairman Donald Froelich at 8:35 a.m. in the District Education Center of Saddleback Valley Unified School District, 25631 Peter A. Hartman Way, Mission Viejo, California.

#### Roll Call of Members

##### Members Present

Donald Froelich  
Ernestine Jones  
Mark Tettemer  
Walter Fawcett

##### Members Absent

Stuart Luce  
Matt Kasa

##### SVUSD Staff Members

Stella Escario-Doiron  
Keri Follmer  
Larmecha Huff  
Cecilia Ray  
Jeanne Serich  
Tiffani Volpe

### 2. Approval of November 17, 2016 Meeting Minutes

Chairman Donald Froelich noted there was an error on page three of the minutes; "Matthew Luce" should be changed to "Matthew Kasa". On motion by Chairman Donald Froelich, and seconded by Member Ernestine Jones, the Meeting Minutes of November 17, 2016 were approved with the noted changes.

### 3. Public Comment on Agenda Items

None

#### OLD BUSINESS

### 4. Citizens' Oversight Committee Members Term Update

Stella Escario-Doiron relayed that the wavier for term updates on Chairman Donald Froelich and Members Ernestine Jones and Stuart Luce were submitted in January 2017 to the California Department of Education (CDE). She received SVEA and CSEA letters, both unions had no issues with the members' waivers. Term renewals for Members Matthew Kasa and Mark Tettemer will be submitted to the April 6, 2017 Board Meeting for approval, as those members' terms are set to expire in May 2017.

#### NEW BUSINESS

## **5. New Board Member Selection Process and Timeline**

Stella Escario-Doiron reviewed the New Member Application Timeline with the Committee and confirmed that one seat would be filled, unless current Members Mark Tettermer and Matt Kasa did not want to renew their terms. Member Mark Tettermer confirmed that he wished to continue serving on the committee and Stella said that she would contact Member Matthew Kasa regarding his position. A Public Notice advertisement will be placed regarding the application process and deadlines. The new member will be confirmed at the April 6, 2017 Board Meeting.

## **ACTION ITEMS**

### **6. Approval of Amended and Restated Independent Citizen's Oversight Committee Bylaws**

Chairman Donald Froelich inquired if the Board approves the Bylaws, to which Stella Escario-Doiron confirmed they would be sent to the March 9, 2017 Board Meeting for approval. The Committee is currently using the original set of Bylaws which had never been modified since the establishment of the Citizens' Oversight Committee (COC). The Committee was asked to discuss or approve the proposed amendments to the Bylaws. Stella Escario-Doiron said that amending the Bylaws would allow the Committee greater flexibility in several areas, now that the Measure B funded projects are nearing completion. These areas included having seven members instead of ten, reducing the number of required meetings a year from four to one, and allowing them to serve two consecutive two-year terms, as well as updating the categories that members represent from the community or professional business sectors, such as allowing for there to be two to five "general" members. Member Ernestine Jones said that she would like to have the flexibility to hold two meetings a years, if there were no new Business items to discuss.

Chairman Donald Froelich also asked if the District's Board Members participate in Ethics Training classes, and if so, were the classes available to the COC Members, as he was not sure that it was needed at this time, but would like to know for the future. Stella Escario-Doiron said that she would look into this option for the Committee.

Chairman Donald Froelich asked if the Committee had to complete and submit a Form 700 to the District, which Stella Escario-Doiron stated that they did not. Administrative District employees submit the Form 700 to the Superintendent's Office on an annual basis, but the COC Committee Members did not have to.

Member Stuart Luce inquired why the Ethics Policy Statement was changed in Bullet II, from "two years" to "three years". Stella Escario-Doiron said that she could ask regarding why the time period was changed and would notify the committee.

Member Mark Tettermer made a motion to approve the revised Bylaws as proposed. The motion was seconded by member Stuart Luce. The motion was passed unanimously.

## **DISCUSSION ITEMS**

### **7. Election of Vice-Chair**

Chairman Don Froelich opened the floor for nominations for the Vice Chairman of the COC Committee. Member Stuart Luce nominated Member Ernestine Jones, who accepted the nomination. There were no other nominations submitted. Stella Escario-Doiron closed the nominations and made a motion for Member Ernestine Jones to be Vice Chairwoman of the COC Committee. Member Mark Tetterer seconded the motion and it was passed unanimously.

**8. Acceptance of Prop. 39 Financial Performance Audit Report**

The Prop. 39 Financial and Performance Audit Report was presented to the Committee by Royce Townsend, a partner of Vavrink, Trine, Day & Co., LLP. Mr. Townsend outlined the Audit Report, which had been sent to the Committee prior to the meeting for review. Member Stuart Luce inquired if the District's Financial Controls, in relation to the Measure B projects, were accurate and complete, to which Mr. Townsend confirmed that they were. Chairman Donald Froelich inquired if the projects listed were in conformity, which Mr. Townsend confirmed. Member Stuart Luce said that in the years since Measure B was in place, the project list became bigger than anyone had expected. The projects were based on the need at the schools, not by the project's budget. Mr. Townsend commented that the District was requested to download expenses by project, which was shown in the report. Based on the firm's review, the financial information aligned in conclusion with their summary in the report and there were no issues.

Mr. Townsend said that the biggest challenge may be for the Committee to determine how to spend the remaining monies. An annual audit will continue until the funds are completed used. Member Stuart Luce asked if the firm provides a map for using the remaining funds at the end of the Bond Project, to which Mr. Townsend said no, the firm does not. Stella Escario-Doiron shared that the District has a plan for the remaining monies on modernization projects. Tiffani Volpe will continue to provide the Committee with a report outlining the remaining funds and that Developer Fees or other monies will be used to supplement and complete the projects. She anticipates the Committee continuing through 2018. The Committee had no further questions regarding the Audit Report. Member Ernestine Jones made a motion to accept the independent Audit Report, which was seconded by Member Mark Tetterer, and was passed unanimously.

**9. Approval of the 12<sup>th</sup> Annual Citizens' Oversight Committee Report**

Stella Escario-Doiron reviewed the Committee Report's elements, which was set to be presented at the March 9, 2017 Board Meeting. The Members were asked to review their biographies and to submit changes prior to the Board Meeting. Member Ernestine Jones said that she would submit an updated biography. Chairman Donald Froelich said that he and Member Ernestine Jones would attend the Board Meeting and present the report, but that other Committee members could also attend if they wished. Member Mark Tetterer confirmed that he would also attend. Chairman Donald Froelich made a motion to approve the 12<sup>th</sup> Annual Citizens' Oversight Committee Report, which was seconded by Member Ernestine Jones and passed unanimously.

**10. Facilities Planning & Construction Update on Construction Projects**

Stella Escario-Doiron reviewed the report with the Committee. She also provided slides to the Committee on recently completed projects. Included in the slide show was the Trabuco Hills High School Synthetic Turf & Track Replacement, which was not a Measure B-funded project but one that has received positive feedback from the community. In addition, the District's telephone system was updated, as it was failing at times. The upgrade is scheduled for completion in April 2017, which would include all 35 school sites and the District Office. Stella Escario-Doiron also

showed images of the finished classrooms and spaces that were modernized at Cielo Vista Elementary and Trabuco Mesa Elementary Schools. The projects were delayed slightly due to this year's rain, however, final touch-up work will be completed by the end of spring. The Committee will tour the sites in either May or August 2017, to see the final result of the modernization projects. The District's energy projects (Phase II and III) were funded through Prop. 39 and included items such as changing to LED lights and updating control systems for interior/exterior lighting systems.

Member Ernestine Jones inquired on how the District's solar project was progressing, to which Stella Escario-Doiron said that it is in the early stages and that savings were being tracked. There was a spike in usage when the system came online, but the District is seeing a savings in regards to energy, as it leased the solar system and a flat rate is paid per kilowatt. The District is not yet at the end of the first year of the solar project, but anticipates a possible savings of twenty percent. Member Ernestine Jones asked if the District had received complaints regarding the solar panels at the school sites, to which Stella Escario-Doiron confirmed that a few residents near Mission Viejo High School had complained regarding trees being removed from the parking lot for the solar panels, or that the solar panels blocked their view of the school. The District continues to work with residents on these issues to be a good citizen in the community, however, it is difficult to make everyone happy in every situation.

Stella Escario-Doiron updated the Committee that the District is underway on various Career Technical Education (CTE) Grant-funded projects. Secondary schools' woodshop and automotive classrooms are being remodeled to be used as computer training classrooms with 3D printers, etc. She also shared that the District is moving forward on modernization plans for Lake Forest and Portola Hills Elementary Schools (ES). Plans for Portola Hills ES are scheduled to be submitted (tentatively) in late May to the Department of the State Architect's (DSA) San Diego office, with Lake Forest ES's plans being submitted in late July. Review of the plans takes approximately six to eight months. In addition, the District is working with DSA to close-out and certify smaller projects that did not get closed in terms of paperwork. These are required to be closed before new projects can be submitted. Various locations of The Learning Connection (TLC) child care sites at the District's elementary schools have project work underway to address items needing refurbishment, such as carpeting and cabinetry, but no technical upgrades.

## **11. Financial Consolidated Expenditure Report**

Tiffani Volpe reviewed the report with the Committee and noted that the costs for the modernization projects at Cielo Vista ES and Trabuco Mesa ES Schools reflect construction costs as of the end of December 2016, as they are ongoing and the projects have not yet been completed. Stella Escario-Doiron noted that every school site in the District has received Measure B funds for some type of modernization. Member Ernestine Jones asked if Aliso Elementary's school site is currently being used, to which Stella Escario-Doiron confirmed that it is being used by OPA, a Charter School. She said that the District currently has two charter schools: Gates Elementary and OPA. In addition, if the District updates its elementary sites with certain technology, the Charter School sites also receive the technology at no cost. The District also loses "average daily attendance" or ADA funds from the California Department of Education, for those students who leave the District to attend a Charter School.

Tiffani Volpe completed presenting the report to the Committee and Stella Escario-Doiron congratulated the Committee and the District at an excellent job over the past twelve years in keeping the project's soft costs (construction manager fees, etc.) to twenty (20) percent of the

overall project's amount, especially given the size of some of the projects. Member Ernestine Jones confirmed that the District has done an excellent job of keeping the soft costs low on the projects over the years. The Committee had no further questions regarding the report.

**12. 2016-17 Calendar**

Stella Escario-Doiron said that the calendar might be modified to allow for a site tour in May 2017 and she requested that the committee let her know of any new topics that they might want to discuss in August. The Committee did not have to hold a summer meeting unless one is needed.

**13. Public Comment on Non-Agenda Items**

None

**14. Future Items**

Member Stuart Luce said the Committee had requested that Jeff Starr, Assistant Superintendent of Business Services, attend one of the COC Meetings and discuss how declining enrollment and the area's changing demographics were impacting the District. Stella Escario-Doiron will check with Jeff Starr to see if this can be scheduled for a future meeting. Member Ernestine Jones inquired what the return was on the Districts' investments in recent years. Stella Escario-Doiron said that she would inquire but believed it was minimal, such as one-to-two percent for funds.

**15. Next Regular Meeting**

The next scheduled meeting of the COC is set for Thursday, May 11, 2017. A meeting invitation will be sent to the Committee a few weeks before.

**16. Adjournment**

Chairman Donald Froelich adjourned the meeting at 9:53 am.

## Attachment 6

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



December 31, 2016

SITE	BUDGET	ENCUMBERANCES / EXPENSES			BUDGET REMAINING
		COMMITTED	EXPENDITURES & RETENTIONS	CONTRACT BALANCE	
Aliso	2,588,263	2,588,263	2,588,263	0	0
Cielo Vista	7,180,808	7,180,152	4,979,333	2,200,819	656
Cordillera	2,583,119	2,583,119	2,583,119	0	0
De Portola	2,853,482	2,853,482	2,853,482	0	0
Del Cerro	1,350,479	1,350,479	1,350,479	0	0
Del Lago	7,154,013	7,154,013	7,154,013	0	0
El Toro HS	28,360,311	28,360,311	28,360,311	0	0
Esperanza	6,111,977	6,111,977	6,111,977	0	0
Foothill	2,300,213	2,300,213	2,300,213	0	0
Gates	2,307,507	2,307,507	2,307,507	0	0
Glen Yermo	7,947,186	7,947,186	7,947,186	0	0
La Madera	7,370,477	7,370,477	7,370,477	0	0
La Paz	11,711,312	11,711,312	11,711,312	0	0
La Tierra	5,065,735	5,065,735	5,065,735	0	0
Laguna Hills HS	20,364,001	20,364,001	20,364,001	0	0
Lake Forest	2,867,787	1,530,653	1,273,153	257,500	1,337,134
Linda Vista	2,709,810	2,709,810	2,709,810	0	0
Lomarena	7,879,357	7,879,357	7,879,357	0	0
Los Alisos	16,624,998	16,624,998	16,624,998	0	0
Melinda Heights	1,364,670	1,364,670	1,364,670	0	0
Mission Viejo HS	19,726,493	19,726,341	19,726,341	0	152
Montevideo	9,618,416	9,618,416	9,618,416	0	0
Olivewood	2,878,449	2,878,449	2,878,449	0	0
O'Neill	1,256,001	1,256,001	1,256,001	0	0
Portola Hills	2,322,202	2,321,728	2,032,128	289,600	474
Rancho Canada	6,084,847	6,084,847	6,084,847	0	0
Rancho Santa Margarita	2,856,247	2,856,247	2,856,247	0	0
Robinson	913,838	913,838	913,838	0	0
San Joaquin	5,970,557	5,970,557	5,970,557	0	0
Santiago	873,285	873,285	873,285	0	0
Serrano	21,408,603	21,408,603	21,408,603	0	0
Silverado/District Office	9,614,142	9,614,142	9,614,142	0	0
Trabuco Elementary	3,109,049	3,109,049	3,109,049	0	0
Trabuco Hills HS	39,741,741	39,705,474	39,513,711	191,762	36,268
Trabuco Mesa	8,023,177	8,022,938	6,048,567	1,974,371	238
Valencia	3,722,849	3,722,849	3,722,849	0	0
Measure B Administration	2,922,091	2,922,091	2,726,091	196,000	0
<b>Sub Total</b>	<b>287,737,489</b>	<b>286,362,567</b>	<b>281,252,514</b>	<b>5,110,052</b>	<b>1,374,922</b>

Measure B Program Contingency	2,228,919	409,001	409,001	0	1,819,918
<b>GRAND TOTAL</b>	<b>289,966,408</b>	<b>286,771,568</b>	<b>281,661,515</b>	<b>5,110,052</b>	<b>3,194,840</b>

FINANCIALS - PAGE 1



**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**  
**Measure B**  
**Financial Summary as of December 31, 2016**

	2004 - 2005	2005 - 2006	2006 - 2007	2007 - 2008	2008 - 2009	2009 - 2010	2010 - 2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-16	2016-17	TOTAL	
<b>REVENUES</b>														\$	
BOND PROCEEDS	9000	100,000,000.00	-	60,000,000.00	-	-	-	-	-	9,775,000.00	-	-	9,815,469.00	179,590,469.00	
NET INTEREST EARNINGS*	8660	1,829,845.55	3,021,822.87	3,443,068.64	2,828,654.95	546,433.20	168,721.21	66,992.97	55,163.22	33,901.83	27,816.91	22,517.60	31,015.95	30,088.13	
FUND 21 CLOSEOUT	8660	-	-	-	-	109,256.36	-	-	-	-	-	-	-	-	
SERPENTINE FUNDING LOSS	8662	-	-	-	-	-	-	-	-	-	-	-	-	-	
DONATIONS	8699	-	-	84,505.84	5,000.00	6,600.00	-	(68,509.26)	-	-	-	-	-	(68,509.26)	
LCP PENALTIES	8699	-	-	-	-	1,380.00	-	-	-	-	-	-	-	96,105.84	
EXCESS ISSUANCE RETURN	8699	11,997.40	-	-	13,539.77	-	-	-	-	-	12,398.14	-	-	1,380.00	
TELACU SETTLEMENT (GYMS)	8699	-	-	-	-	-	-	-	-	-	-	-	-	37,935.31	
							60,000.00	-	-	-	-	-	-	\$	
														60,000.00	
<b>TOTAL REVENUES</b>		<b>101,841,842.95</b>	<b>3,021,822.87</b>	<b>63,527,574.48</b>	<b>2,847,194.72</b>	<b>663,669.56</b>	<b>168,721.21</b>	<b>58,483.71</b>	<b>55,163.22</b>	<b>33,901.83</b>	<b>9,815,215.05</b>	<b>22,517.60</b>	<b>31,015.95</b>	<b>\$9,845,557</b>	<b>\$ 191,932,680.28</b>
<b>EXPENDITURES</b>															
Aliso Elementary	550	178,921.20	244,979.02	832,886.61	520,373.69	5,148.81	11,853.81	119,774.31	6,736.11	-	-	-	-	\$1,920,674	
Cielo Vista Elementary	571	101,101.46	437,227.80	556,165.17	83,658.15	213,370.70	138,464.02	477,564.77	5,653.97	-	13,458.55	14,490.55	313,924.79	\$4,979,333	
Cordillera Elementary	551	248,900.23	241,211.05	1,398,975.79	46,548.19	(13,454.23)	-	-	-	-	8,563.73	-	-	\$1,930,745	
De Portola Elementary	554	177,587.75	243,163.36	1,326,940.83	359,166.57	9,460.66	7,999.66	-	-	-	8,829.31	-	-	\$2,134,148	
Del Cerro Elementary	552	127,839.34	248,047.46	9,435.22	178,638.54	167,576.87	537,471.95	4,694.37	12,905.21	1,026.00	62,844.07	-	-	\$1,350,479	
Del Lago Elementary	553	386,048.36	559,370.89	1,888,250.59	1,368,875.07	(68,983.81)	263,063.87	15,686.85	269,397.79	-	8,622.16	-	-	\$4,690,332	
Foothill Ranch Elementary	575	294,428.74	438,115.90	9,702.91	39,642.74	430,963.01	129,621.05	75,934.72	-	76,319.01	799,094.92	6,470.55	(80.55)	\$2,300,213	
Gates Elementary	555	253,860.46	120,219.42	18,453.10	183,367.59	26,997.57	1,244,797.84	36,308.30	147,282.57	261,301.11	14,918.58	-	-	\$2,307,507	
Glen Yermo Elementary	556	387,728.09	408,107.21	2,359,450.70	1,370,117.78	426,233.70	7,283.75	-	-	-	7,568.53	-	-	\$4,966,490	
La Madera Elementary	557	334,149.80	235,856.63	1,306,352.87	3,024,206.57	(643,564.71)	127,010.09	20,436.08	423,393.46	3,664.60	8,832.59	809.29	-	\$4,841,147	
La Tierra Elementary	558	329,467.49	121,804.67	456,301.59	21,513.68	45,754.78	280,206.44	205,754.23	80,228.60	278,280.81	2,914,952.47	6,588.70	875.00	\$4,741,728	
Lake Forest Elementary	572	133,054.82	313,030.09	286,916.45	33,655.56	69,630.17	405,358.59	10,745.44	13,596.31	-	7,165.15	-	-	\$1,273,153	
Linda Vista Elementary	559	367,219.17	306,565.83	772,695.11	344,652.52	(1,890.05)	23,349.60	5,900.00	211,255.31	-	9,857.65	-	-	\$2,039,605	
Lomarena Elementary	560	401,314.33	358,416.80	1,479,483.74	4,291,844.59	(1,593,955.91)	29,405.58	5,843.16	5,698.59	6,855.74	73,563.54	-	-	\$5,058,470	
Melinda Heights Elementary	576	263,169.81	168,348.42	198,088.39	146,900.36	162,638.06	2,112.15	9,251.67	9,049.54	31,242.78	367,658.35	6,210.00	-	\$1,364,670	
Montevideo Elementary	561	405,688.06	322,055.90	1,456,916.43	2,398,809.42	1,959,082.12	53,731.20	153,463.52	12,096.26	-	8,333.51	-	-	\$6,770,176	
Olivewood Elementary	562	229,176.05	542,459.52	2,754.93	856,160.76	110,269.29	525,144.79	89,627.75	12,163.17	1,594.28	3,041.14	-	-	\$2,372,392	
O'Neill Elementary	563	114,237.28	214,183.54	761,170.82	134,605.94	29,403.80	2,400.00	-	-	-	-	-	-	\$1,256,001	
Portola Hills Elementary	570	100,685.56	181,116.04	205,919.60	68,335.41	439,734.26	142,148.70	543,546.94	129,386.22	-	11,865.78	1,864.37	9,925.75	\$1,834,529	
Rancho Canada Elementary	564	372,227.03	852,522.98	1,979,798.11	332,400.46	82,632.95	24,405.13	3.00	-	-	9,565.16	-	-	\$3,653,555	
Robinson Elementary	573	105,822.23	381,007.23	81,400.96	89,633.08	42,913.46	155,530.76	29,580.53	16,120.52	-	11,829.24	-	-	\$913,838	
San Joaquin Elementary	565	413,452.60	247,894.86	3,403,056.98	1,302,915.26	(1,262,185.96)	161,875.28	-	1.50	-	9,047.21	-	-	\$4,276,058	
Santiago Elementary	566	180,524.82	273,288.35	4,760.11	14,038.67	14,079.73	111,932.95	144,268.06	110,310.00	155.00	19,927.16	-	-	\$873,285	
Trabuco Elementary	567	348,358.10	133,875.01	152,401.19	2,172,936.81	289,310.87	(1,271,438.67)	(5,971.50)	-	-	3,505.27	-	-	\$1,822,977	
Trabuco Mesa Elementary	569	101,593.08	143,783.92	66,316.73	47,498.26	4,606.00	108,874.96	1,226,461.06	149,075.28	126,190.01	11,777.45	17,874.15	291,584.91	\$4,497,974	
Valencia Elementary	568	262,452.42	418,059.93	1,062,526.54	293,128.75	145,286.47	807,061.35	54,215.44	13,017.77	-	11,030.72	-	-	\$3,066,779	
La Paz Intermediate	680	1,364,233.04	1,138,243.03	77,034.21	3,832,742.94	(922,800.99)	510,189.26	230,851.02	57,394.26	13,814.86	182,933.11	4,140.00	-	\$6,488,775	
Los Alisos Intermediate	681	570,239.26	675,624.11	691,911.58	4,976,966.48	1,080,222.54	977,919.16	377,939.91	(379,225.17)	5,155.00	68,682.05	4,770.00	-	\$9,050,205	
Mission Santa Margarita Inter.	685	234,396.75	495,250.36	623,376.49	833,915.58	44,245.39	47,726.00	13,704.36	-	-	71,518.08	6,300.00	-	\$2,371,565	
Serrano Intermediate	682	619,003.43	664,624.55	682,746.46	5,703,932.37	4,299,125.67	448,868.83	363,287.62	(171,183.79)	17,893.80	65,383.66	5,670.00	-	\$12,699,353	
El Toro High School	790	1,222,757.18	3,857,543.55	4,138,837.47	3,073,176.38	1,104,051.97	2,494,534.77	71,836.30	2,876.31	280.00	160,788.55	11,313.68	-	\$16,137,996	
Laguna Hills High School	791	977,724.74	936,032.09	6,809,631.24	6,285,855.54	1,087,505.62	(3,864,737.54)	281,042.77	13,058.87	372,615.04	356,396.06	8,370.00	-	\$13,263,494	
Mission Viejo High School	792	940,258.36	7,525,084.21	(1,096,848.48)	3,074,180.16	1,691,802.15	286,653.49	99,036.98	5,089.83	39,160.14	507,199.10	239,859.15	1,596,495.39	\$14,908,923	
Trabuco Hills High School	793	985,719.48	3,061,654.68	894,019.97	3,107,256.09	11,188,987.28	1,649,331.12	(7,832,879.75)	(2,074,881.86)	485,460.37	7,665,944.64	309,414.48	74,664.75	\$19,524,359	
Esperanza Special Education	898	85,987.92	214,627.06	2,037,084.10	380,804.02	1,014,236.95	537,382.09	793,066.77	(189,611.97)	-	3,668.79	-	-	\$4,877,246	
Silverado Continuation High School	895	151,473.52	551,354.09	3,801,050.33	(3,123,627.76)	1,361,137.93	15,128.61	(854,309.84)	83,220.67	-	24,022.78	1,800.00	-	\$2,011,250	
District Office	331	192,594.64	1,410,022.97	210,620.68	(372,633.54)	5,477.82	91,674.99	235,342.82	138,062.50	599,280.92	98,199.74	-	-	\$2,608,644	
Bond Administration	340	51,566.10	279,202.23	117,218.49	(128,118.48)	649,633.20	345,838.86	257,776.88	234,385.94	262,212.02	315,650.69	57,630.56	194,620.05	88,474.06	
Holding Account	346	16,164.66	(14,526.56)	152,815.99	(132,663.13)	(21,746.00)	(44.96)	-	-	-	-	-	-	\$0	
<b>TOTAL EXPENDITURES</b>		<b>\$14,031,127</b>	<b>\$28,949,448</b>	<b>\$41,216,620</b>	<b>\$47,235,411</b>	<b>\$23,672,938</b>	<b>7,570,129.53</b>	<b>(2,740,215.46)</b>	<b>(652,314.52)</b>	<b>2,582,501.49</b>	<b>13,927,239.49</b>	<b>703,575.48</b>	<b>2,472,084.34</b>	<b>4,935,611.58</b>	<b>\$ 183,904,156.70</b>

\*Interest as of 11/30/2015

<b>Holding Account:</b>	Costs to be transferred to Appropriate project/site. <b>Bond</b>
<b>Administration:</b>	Costs associated with the Administration of the Bond.

# Bond Administration Summary of Services

This report is a list of all Posted Contracts for this project December 31, 2016

Contract Name	Budget	Committed	Expended	Balance	Variance	Service Description
<b>Budget</b>	<b>2,922,091</b>					
Acorn Media	147	147	147	0	0	Supplies technology equipment and service for office related projects and needs
All State Sign	1,761	1,761	1,761	0	0	Measure B banners for schools
Amer Institute of Arch	779	779	779	0	0	American Institute of Architects (AIA) documents / forms utilized for Construction Projects and Bid Documents
Atkinson Andelson	240	240	240	0	0	Agreement for multi-prime projects
AutoDesk	142,801	142,801	142,801	0	0	BuzzSaw software and training
Bank of New York	16,210	16,210	16,209	1	0	Administration Fee for General Obligation Bond Series 2000A
Bergman & Dacey, Inc.	9,416	9,416	9,416	0	0	Legal services related to Measure B
Colbi Technologies	106,955	106,955	92,205	14,750	0	Annual support for Accountability
Commercial Relocation	1,509	1,509	1,509	0	0	Provides service and equipment to successfully enable a temporary or permanent relocation
Consolidated Repro	1,583	1,583	1,583	0	0	Serves as source of document supply in respect to construction related plans, drawings, and schematics.
D M C Engineering	6,798	6,798	6,798	0	0	Preparation of District Wide Stormwater Pollution Prevention Plan (SWPPP)
DGS / DSA fees	4,077	4,077	4,077	(0)	0	Fees for plan checks and labor compliance
District Print Shop	53	53	53	0	0	Provide printing services
Documedia Group	11,539	11,539	11,539	0	0	Measure B community brochures
Educational Resource	50	50	50	0	0	Supplies and installs "Win Server 2003 Standard (STD)"
Fieldman Rolapp	0	0	0	0	0	Financial services with bond series 2007A
HMC Architects	20,000	20,000	1,303	18,698	0	Provide architectural and engineering services for DSA certifications
Loskot, Corinne	0	0	0	0	0	Provides specialized services for Facilities Project Planning, School Facility Program (SFP) Eligibility, and support services
MuniFinancial (Willdan Financial)	20,850	20,850	20,600	250	0	Provides Arbitrage Rebate Services for General Obligation Bond
Office Depot	667	667	667	0	0	Supplies technology equipment and service for office related projects and needs
Or Co Register	245	245	245	0	0	Advertisement outlet utilized for General Obligation Bond
Portford Solutions	2,446	2,446	2,446	0	0	Document scanning
Poster-Size-It	1,531	1,531	1,531	0	0	Supports signage/communication needs for General Obligation Bond
Registrar of Voters	207	207	207	0	0	Mailing list of SVUSD area
Salaries - Const Management Clerical	2,381,541	2,381,541	2,293,892	87,650	(0)	Construction management - clerical
Stradling Yocca Carlson	77,608	77,608	13,456	64,152	0	Provided advisement and counsel to the School District as to the best legal method of accomplishing Bonds issuance

Trend Offset Printing	8,965	8,965	8,965	0	0	Supplied printing and graphic services for "Community Outreach Brochures"
US Post Office	6,081	6,081	6,081	0	0	Provided bulk mailing for 96,524 documents for "Community Outreach Brochures"
Vavrinek Trine Day and Co LLP	37,500	37,500	27,000	10,500	0	Auditors
Vicenti, Lloyd & Stutzman	60,216	60,216	60,216	0	0	Auditors
Vision Marking	314	314	314	(0)	0	Supports signage/communication needs in respect to upcoming and ongoing projects for public's knowledge
<b>TOTALS</b>	<b>2,922,090</b>	<b>2,922,090</b>	<b>2,726,091</b>	<b>196,000</b>	<b>0</b>	



# SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

Measure B

Expenditure Detail as of December 31, 2016

SITE	SCHOOL	A. Site	B. Planning	C. Construction	D. Testing	E. Inspection	F. F&E	Grand Total
550	Aliso		244,109	1,559,831	13,126	58,354	45,254	1,920,674
571	Cielo Vista	334,492	530,217	3,926,983	16,718	75,722	95,202	4,979,333
551	Cordillera		210,875	1,611,865	22,123	59,351	26,531	1,930,745
554	De Portola	20,205	255,489	1,771,424	22,387	59,809	4,835	2,134,148
552	Del Cerro	480,131	122,726	638,731	7,189	6,807	94,895	1,350,479
553	Del Lago	497,143	806,391	3,245,521	38,612	86,202	16,462	4,690,332
575	Foothill Ranch	3,164	57,705	2,036,739		761	201,844	2,300,213
555	Gates	1,383,302	294,157	543,250	48,948	33,127	4,723	2,307,507
556	Glen Yermo	161,657	906,896	3,623,462	34,264	206,397	33,813	4,966,490
557	La Madera	338,723	867,858	3,401,986	43,801	186,773	2,007	4,841,147
558	La Tierra	244,610	611,348	3,813,481	11,227	54,797	6,264	4,741,728
572	Lake Forest	25,341	149,546	1,050,266		2,066	45,933	1,273,153
559	Linda Vista	61,639	333,487	1,547,722	13,884	57,795	25,077	2,039,605
560	Lomarena	260,744	875,494	3,631,624	26,073	232,519	32,017	5,058,470
576	Melinda Heights		35,758	1,323,459		2,175	3,277	1,364,670
561	Montevideo	192,318	1,203,522	5,133,749	35,372	178,080	27,135	6,770,176
562	Olivewood	360,409	291,176	1,616,377	22,281	70,070	12,078	2,372,392
563	O'Neill	6,392	180,950	1,045,249	12,650	9,724	1,036	1,256,001
570	Portola Hills	487,160	180,114	1,002,666	12,223	34,223	118,143	1,834,529
564	Rancho Canada	126,759	726,239	2,666,376	7,308	101,772	25,101	3,653,555
573	Robinson	6,970	75,606	788,398	15,752	4,325	22,787	913,838
565	San Joaquin	2,864	756,352	3,320,132	10,000	152,798	33,911	4,276,058
566	Santiago	109,777	79,899	646,286	-	2,864	34,458	873,285
567	Trabuco Elem	49,742	605,189	1,018,004	18,968	118,332	12,743	1,822,977
569	Trabuco Mesa	234,090	584,844	3,551,647	2,936	77,289	47,169	4,497,975
568	Valencia	660,880	369,448	1,876,641	48,908	97,779	13,122	3,066,779
680	La Paz	693,502	1,017,831	4,465,955	107,694	189,717	14,077	6,488,775
681	Los Alisos	483,186	1,953,089	6,159,443	115,593	305,512	33,382	9,050,205
685	Rancho Santa Margarita	96,920	231,204	1,937,069	24,876	81,495	-	2,371,565
682	Serrano	960,285	2,471,865	8,618,957	197,854	422,115	28,277	12,699,353
790	El Toro	16,179	3,239,752	12,286,250	105,739	305,280	184,797	16,137,996
791	Laguna Hills	455,046	2,399,322	9,945,436	131,553	289,280	42,856	13,263,494
792	Mission Viejo	388,455	2,123,025	11,819,134	88,778	292,735	196,797	14,908,923
793	Trabuco Hills	652,333	3,463,979	14,468,415	288,820	379,995	270,817	19,524,359
898	Esperanza	5,815	3,738,840	848,935	20,874	255,151	7,630	4,877,246
895	Silverado	94,490	650,586	964,188	78,010	155,368	68,608	2,011,250
331	District Office		825,202	1,733,481	900		49,060	2,608,644
340	Bond Administration		2,722,185	1,808			2,098	2,726,091
346	Holding Account	0	(0)	-	-	-	0	0
<b>Grand Total</b>		<b>9,894,725</b>	<b>36,192,279</b>	<b>129,640,941</b>	<b>1,645,438</b>	<b>4,646,558</b>	<b>1,884,216</b>	<b>183,904,157</b>

## Measure B

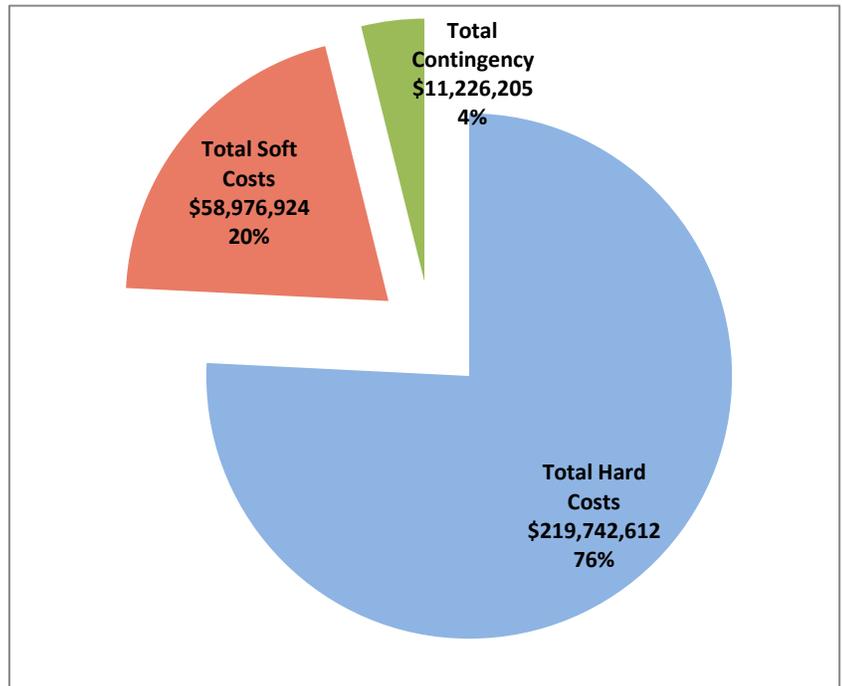
as of December 31, 2016

### Hard Cost, Soft Cost, and Contingency

#### Budget Breakdown

**\$289,966,408**

**Soft Costs** - cost associated with **Hard Costs** - work and cost associated planning, design, andwith actual construction. coordination of a construction project.86% Main Construction Contracts



(General or Multiple Prime

50% Architect/Consultant Fees Contractors)  
19% Construction Management1% Shade Structure Projects  
Services1% Field Restroom Building  
7% Legal Fees1% Upgrade Play Surface Project  
2% Div. of State Architect/CDE Fees1% Telephone System Upgrade  
2% Labor Compliance Requirements2% Technology Projects  
4% Interim Housing/Move Mngt1% Safety & Security Projects  
13% Testing and Inspection7% Field Renovation Projects  
1% Abatement  
2% Planning Contingency

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

49% Individual Project Contingency  
51% Program Contingency

**SADDLEBACK VALLEY UNIFIED  
SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE B)  
FINANCIAL AND PERFORMANCE AUDITS**

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**JUNE 30, 2017**

**SADDLEBACK VALLEY UNIFIED  
SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE B)  
FINANCIAL AUDIT**

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**JUNE 30, 2017**

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

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JUNE 30, 2017**

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***INDEPENDENT AUDITOR'S REPORT***

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***FINANCIAL SECTION***

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**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens Oversight Committee  
Saddleback Valley Unified School District  
Mission Viejo, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Saddleback Valley Unified School District's (the District), Building Fund (Measure B), as of and for the year ended June 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Building Fund (Measure B) of the District at June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure B, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the District's Building Fund (Measure B) internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 effectiveness of the District's Building Fund (Measure B) internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Building Fund (Measure B) internal control over financial reporting and compliance.

VAUGHN, TRINE, INC. & CO. LLP

Rancho Cucamonga, California  
December 15, 2017

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**BALANCE SHEET  
JUNE 30, 2017**

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**ASSETS**

Investments	\$ 5,002,217
Accounts receivable	4,521
<b>Total Assets</b>	<u><u>\$ 5,006,738</u></u>

**LIABILITIES AND FUND BALANCE**

**Liabilities**

Accounts payable	\$ 2,090,222
Due to other funds	159
<b>Total Liabilities</b>	<u><u>2,090,381</u></u>

**Fund Balance**

Restricted for capital projects funds	<u>2,916,357</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 5,006,738</u></u>

The accompanying notes are an integral part of these financial statements.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

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**REVENUES**

Local revenue

Interest income	\$ 68,540
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**EXPENDITURES**

Current

Salaries and benefits	170,353
-----------------------	---------

Supplies

Materials	23,764
-----------	--------

Services

Contracted services	203,202
---------------------	---------

Capital outlay

Building and improvements to buildings	7,269,191
--	-----------

Architect fees and other fees	249,047
-------------------------------	---------

Inspection	159,691
------------	---------

Other building costs	2,014,117
----------------------	-----------

Debt service - costs of issuance	184,531
----------------------------------	---------

<b>Total Expenditures</b>	<u>10,273,896</u>
---------------------------	-------------------

<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(10,205,356)</u>
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**Other Financing Sources**

Other sources - proceeds from bond issuance	<u>10,000,000</u>
---	-------------------

<b>NET CHANGE IN FUND BALANCE</b>	(205,356)
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<b>FUND BALANCE - BEGINNING</b>	<u>3,121,713</u>
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<b>FUND BALANCE - ENDING</b>	<u><u>\$ 2,916,357</u></u>
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The accompanying notes are an integral part of these financial statements.

# **SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE B)**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017**

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### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the Saddleback Valley Unified School District's (the District) Building Fund (Measure B) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

#### **Financial Reporting**

The financial statements include only the Building Fund of the District used to account for Measure B projects. This Fund was established to account for the expenditures of general obligation bonds issued under Measure B. These financial statements are not intended to present fairly the financial position and results of operations of the District in compliance with accounting principles generally accepted in the United States of America.

#### **Fund Accounting**

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

The Building Fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

#### **Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

#### **Encumbrances**

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances lapse at June 30.

# SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE B)

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Fund Balance - Building Fund (Measure B)

As of June 30, 2017, the fund balance of the Building Fund (Measure B) is classified as follows:

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provision or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

### Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - INVESTMENTS

### Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instrument; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

### Investment in the County Treasury

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

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**General Authorizations**

Limitation as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Orange County Treasury Investment Pool. The District maintains a Building Fund (Measure B) investment of \$5,002,217 with the Orange County Treasury Investment Pool with an average maturity of 325 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. The District's investment in the Orange County Treasury Investment Pool as of June 30, 2017, has been rated Aaa.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 3 - FAIR VALUE MEASUREMENTS**

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2017:

	Reported Amount	Uncategorized
Orange County Treasury Investment Pool	<u>\$ 5,002,217</u>	<u>\$ 5,002,217</u>

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017, consisted of the following:

Interest	<u>\$ 4,521</u>
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**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 5 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2017, consisted of the following:

Vendor payables	\$ 2,077,345
Salaries and benefits	12,877
	<u>\$ 2,090,222</u>

**NOTE 6 - INTERFUND TRANSACTIONS**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2017, between the Building Fund (Measure B) and the Internal Service Fund are as follows:

The balance of \$159 due to the Internal Service Fund from the Building Fund (Measure B) resulted from workers' compensation cost.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

The outstanding commitments for Measure B at June 30, 2017, were as follows:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Cielo Vista ES Modernization	\$ 671,581	August 1, 2017
Trabuco Mesa ES Modernization	484,734	August 1, 2017
Trabuco Hills HS Modernization	513,742	March 1, 2018
Portola Hills ES Modernization	86,536	August 1, 2019
Lake Forest ES Modernization	3,713	August 1, 2020
	<u>\$ 1,760,306</u>	

**Litigation**

The District is not currently a party to any legal proceedings specific to the Building Fund (Measure B).

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***INDEPENDENT AUDITOR'S REPORT***

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**INDEPENDENT AUDITOR'S 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***

Governing Board and  
Citizens Oversight Committee  
Saddleback Valley Unified School District  
Mission Viejo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Saddleback Valley Unified School District (the District) Building Fund (Measure B), as of and for the year ended June 30, 2017, and the related notes of the financial statements, and have issued our report thereon dated December 15, 2017.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Building Fund specific to Measure B, and are not intended to present fairly the financial position and changes in financial position of the District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's Building Fund (Measure B) financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's Building Fund (Measure B) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's Building Fund (Measure B) internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's Measure B internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VAUZNER, TRINE, INC. & CO. LLP

Rancho Cucamonga, California  
December 15, 2017

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2017**

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None reported.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

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There were no audit findings reported in the prior year's schedule of financial statement findings.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT**

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**BUILDING FUND (MEASURE B)  
PERFORMANCE AUDIT**

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**JUNE 30, 2017**

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**PERFORMANCE AUDIT  
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JUNE 30, 2017**

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**VAVRINEK, TRINE, DAY & CO., LLP**  
 Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE**

Governing Board and  
 Citizens Oversight Committee  
 Saddleback Valley Unified School District  
 Mission Viejo, California

We were engaged to conduct a performance audit of the Saddleback Valley Unified School District (the District), Building Fund, Measure B funds for the year ended June 30, 2017.

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

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Building Fund, Measure B funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

*VAVRINEK, TRINE, DAY & CO. LLP*

Rancho Cucamonga, California  
 December 15, 2017

# **SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE B)**

**JUNE 30, 2017**

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## ***AUTHORITY FOR ISSUANCE***

The general obligation bonds associated with Measure B were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on March 2, 2004 (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on December 2, 2003.

The District received authorization from an election held on March 2, 2004, to issue bonds of the District in an aggregate principal amount not to exceed \$180,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2000 Authorization). The bonds represent the first, second, and third series of the authorized bonds to be issued under the 2000 Authorization.

## ***PURPOSE OF ISSUANCE***

The general obligation bond funds of Saddleback Valley Unified School District would be used to improve student safety, to repair, and to upgrade every neighborhood school in the District. Procedures include, but not limited to, fixing leaky roofs, removing asbestos, upgrading outdated plumbing/sewer systems, installing fire safety equipment, upgrading heating/ventilation systems, and electrical wiring for technologies, and repairing/constructing/equipping classrooms, libraries, science labs, sites, and facilities.

## ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizen's oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

# **SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE B)**

**JUNE 30, 2017**

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## ***OBJECTIVES OF THE AUDIT***

1. 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.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure B and not for District general administration or operations.

## ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2016 to June 30, 2017. The population of 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 proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2017, were not reviewed or included within the scope of our audit or in this report.

## ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1 2016 through June 30, 2017, for the Building Fund (Measure B). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure B as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2016 and ending June 30, 2017, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$5,707,602. This represents 56 percent of the total expenditures of \$10,273,896.
3. Based on our testing, we verified that funds from the Building Fund (Measure B) were expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held in the Building Fund (Measure B) were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

## ***CONCLUSION***

The results of our tests indicated that, in all significant respects, the District has properly accounted for the expenditures held in the Building Fund (Measure B) and that such expenditures were made for authorized Bond projects. Further, it was noted that funds held in the Building Fund (Measure B), and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of the California Attorney General.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2017**

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None reported.

**SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT  
BUILDING FUND (MEASURE B)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2017**

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There were no audit findings reported in the prior year's schedule of findings and questioned costs.