



Placentia-Yorba
Linda Unified School
District

MEASURE Y
PERFORMANCE AUDIT
PERIOD ENDED JUNE 30, 2007

 **TOTAL SCHOOL SOLUTIONS**
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Placentia-Yorba Linda Unified School District

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June 30, 2007

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INTRODUCTION

On October 9, 2001, the Placentia-Yorba Linda Unified School District submitted for voter approval a bond measure to authorize the sale of \$102 million in bonds to improve school facilities. Because the bond required only 55 percent of the vote pursuant to Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizens' bond oversight committee and to conduct two independent audits. The first audit is a financial audit similar to a district's annual financial audit; the second is a performance audit, which measures the effectiveness, economy and efficiency of the bond facilities program. The report contained herein represents the fifth annual performance audit of the Placentia-Yorba Linda Unified School District's Proposition 39 facilities program. This report covers the facilities program and related activities from July 1, 2006, through June 30, 2007.

The District engaged the firm Total School Solutions (TSS) to conduct the annual independent performance audit for facilities and report its findings to the Board of Education and to the Independent Citizens' Bond Oversight Committee. This annual performance audit followed up on the findings from the first through fourth annual reports and reviewed progress through a broader sampling for the 2006-07 school year.

Besides ensuring that the District uses bond funds in conformance with the provisions listed in the Measure Y ballot, the scope of this examination includes a review of design and construction schedules and cost budgets; change orders and claim procedures; compliance with law, District policies and guidelines regarding facilities and procurement; and the effectiveness of the public outreach program and communication channels among the stakeholders.

In accordance with the state constitution, the District intends to have a performance audit completed annually until all Measure Y funds have been expended. These reports are designed to meet the requirement of Article XIII of the California State Constitution and inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure Y.

EXECUTIVE SUMMARY

The performance audit, conducted during the period of July 2007 through November 2007, includes an examination of the following components:

- Design and construction schedules and cost budgets
- Change order and claims procedures and results
- Current programmatic goals to ensure compliance with state law, guidelines, and funding formulas and District guidelines for bidding and procurement
- Effectiveness of the public outreach program
- Effectiveness of communication channels among all stakeholders within the bond program
- Compliance with program provisions, restrictions in the bond initiative, and legal requirements such as prevailing wages.

Total School Solutions (TSS) reviewed all Measure Y projects in the course of this examination and selected several modernization and growth projects for more detailed examination.

Through the examination of numerous documents, interviews with personnel involved in this process and an evaluation of related documentation, assessments were made and conclusions were reached, which are summarized in this report.

Data produced by District staff and representations made by the District administration were used, where appropriate, to perform this audit work and to formalize conclusions. Each audit component was evaluated separately and collectively based on the materiality of each activity and its impact on the total bond program.

It should be noted that this work has been performed to meet the requirements of a performance audit in accordance with Article XIII of the Constitution of the State of California. Any known significant weaknesses and substantial noncompliance items have been reported to the District's management. This performance audit is not a fraud audit, which would be much wider in scope and more significant in nature than this examination.

The readers of this report are encouraged to review the report of the independent financial auditors in conjunction with this report before forming opinions and drawing conclusions about the overall operations of the bond program.

INDEPENDENT PERFORMANCE AUDITOR'S REPORT

**Board of Education
Placentia-Yorba Linda Unified School District
Placentia, CA 93870**

We have conducted a performance audit of the Measure Y funded bond program of the Placentia-Yorba Linda Unified School District (the "District") as of and for the year ended June 30, 2007. The information provided herein is the responsibility of the District's management. Total School Solutions' responsibility is to express an opinion on the pertinent issues included in the scope of this performance audit.

In our opinion, the Measure Y funds are being expended in accordance with Resolution No. 10, inclusive of Exhibit A-1, passed by the Board of Education on October 9, 2001. It is also our opinion, for the period ending June 30, 2007; the expenditures of the funds generated through Measure Y bonds were only for the projects listed in Exhibit A-1 (which was attached to Resolution No. 10 establishing the scope of work to be completed with Measure Y funds). We have also determined that the representations made to the public regarding the availability of state funds for new construction and modernization projects were true and reasonable. Furthermore, we have determined that management's estimates were reasonable and complied with the best practices in modernization and new construction of school facilities.

This performance audit was conducted in accordance with the District defined scope of performance audit of the school facilities program. The District, however, is required to request and obtain an independent financial audit of Measure Y bond funds. The financial auditor is responsible for evaluating conformance with generally accepted auditing principles and auditing standards pertinent to the financial statement. The financial auditor also evaluates and expresses an opinion on such matters as the District's internal controls, controls over financial reporting and its compliance with laws and regulations. Our opinion and accompanying report should be read in conjunction with the independent financial auditor's report when considering the results of our performance audit and forming opinions about the District's bond program.

This report is intended solely for the use of the management, the Board of Education and the Independent Citizens' Bond Oversight Committee of the Placentia-Yorba Linda Unified School District, which have taken responsibility in regard to the sufficiency of the scope of work deemed appropriate for this performance audit.

Total School Solutions

November 8, 2007

DISTRICT FACILITIES PROGRAM

While the scope of the performance audit is limited to Measure Y, it is useful to review the District's entire facilities program and other sources of funds to place Measure Y into its proper context. In addition to Measure Y funds, the District receives funds from the state, local developer fees, a local community facilities district (Mello-Roos), certificates of participation (COPs) and various redevelopment agencies (RDAs).

The District projects the following total revenues from all sources to carry out its facilities program through the year 2014-15, with continuing RDA/COP payments thereafter to 2034-35. (Source: Capital Improvement Program Worksheet as of September 24, 2007):

Fund	Description	Revenue Including Interest (Millions)
12	Child Development	\$ 0.3
14	Deferred Maintenance and Energy Savings Offset	10.3
25	Headstart, including McFadden Park	1.3
21 - 23	Measure Y (Series A,B,C)	104.8
	Plus: Interest	3.8
	Less: Match Transfers	(21.9)
25	Capital Facilities (Developer Fees)	22.6
35	County School Facilities Fund	1.2
39	State School Building Program (Proposition 47 and 55) ¹	165.7
40	Special Reserve – Capital Outlay (RDA) ²	223.7
91	CFD#1	5.7
92	SunTrust Escrow Account	14.9
40	Energy Savings Offset and DEC Construction Cost	0.9
Trustee	RDA (COPs)	81.9
Trustee	COPs (NOCCCD Site Purchase)	15.3
40	Gifts and Donations	13.5
01	General Fund	0.2
	Interest Income (3.5%), All Funds	29.0
	Total Projected Revenues	\$673.2

¹ Includes approximately \$28.4 million District match funds.

² RDA revenues include current and projected RDA revenues, including a future certificate of participation.

Based on the above summary of projected revenues, it is evident that the \$102 million original Measure Y bond provides only 15.2 percent of the projected total revenues for the District's facilities program.

The following tables present the financial status of the District's facilities program for the past five (5) years, as documented in the fiscal year 2002-03, 2003-04, 2004-05 and 2005-06 audit reports and the fiscal year 2006-07 unaudited actuals report.

As of June 30, 2007, all Measure Y bonds have been issued (Series A, B and C, totaling \$102 million). The June 30, 2007 Measure Y ending balance was \$10.9 million, 10.6 percent of the total voter approved bond.

Commendation

- The District is commended for refinancing Measure Y bonds previously sold, lowering the interest rate paid by taxpayers while netting additional capital facilities funds.
- The District is commended for its continuing efforts to aggressively pursue all sources of revenues to enhance the District's ability to meet its facilities needs for the coming decades.

Revenues and Expenditures for Facilities Program, FY 2002-03 – FY 2006-07

	Fiscal Year Ending June 30, 2003	Fiscal Year Ending June 30, 2004	Fiscal Year Ending June 30, 2005	Fiscal Year Ending June 30, 2006	Fiscal Year Ending June 30, 2007
Measure Y Building Fund¹ (21-23)					
Beginning Balance	\$44,622,427	\$26,669,243	\$32,080,589	\$36,997,374	\$29,293,812
Revenues	601,930	320,405	579,400	1,289,623	4,325,531
Expenditures	6,354,133	17,009,911	24,420,871	7,786,183	22,731,421
Transfers (Net)	(12,200,981)	22,100,852	28,758,256	(1,207,002)	0
Net Change	(17,953,184)	5,411,346	4,916,785	(7,703,562)	(18,405,890)
Ending Balance	\$26,669,243	\$32,080,589	\$36,997,374	\$29,293,812	\$10,887,922
Other Capital Outlay Funds²					
Beginning Balance	\$4,461,324	\$23,538,386	\$56,278,189	\$26,023,507	\$81,015,000
Revenues	2,786,828	67,023,593	15,288,099	7,600,302	13,291,394
Expenditures	8,566,167	44,487,332	45,711,513	18,013,787	71,568,868
Transfers (Net)	24,856,401	10,982,088	168,732	65,404,978	2,199,232
Net Change	19,077,062	33,518,349	(30,254,682)	54,99,493	(56,078,242)
Ending Balance	\$23,538,386	\$57,056,735	\$26,023,507	\$81,015,000	\$24,936,758
Measure Y & Other Capital Outlay Funds					
Beginning Balance	\$49,083,751	\$50,207,629	\$88,358,778	\$63,020,881	\$110,308,812
Revenues	3,388,758	67,343,998	15,867,499	8,889,925	17,616,925
Expenditures	14,920,300	61,497,243	70,132,384	25,799,970	94,300,289
Transfers (Net)	12,655,420	33,082,940	28,926,988	64,197,976	2,199,232
Net Change	1,123,878	38,929,695	(25,337,897)	47,287,931	(74,484,132)
Ending Balance	\$50,207,629	\$89,137,324	\$63,020,881	\$110,308,812	\$35,824,680
Outstanding Debt					
Measure Y Bonds	\$45,753,028	\$73,303,093	\$97,999,671	\$97,880,212	\$ 95,023,212
CFD#1 Bonds	5,505,000	5,505,000	5,505,000	5,410,000	5,315,000
COPs #A (September 2003)	0	16,635,000	16,635,000	0	0
COPs #B (May 2003)	5,550,000	5,400,000	5,250,000	5,100,000	4,940,000
COPs (2005-06)	0	0	0	86,860,315	86,810,315
Capital Leases	39,123	4,926,109	15,052,482	14,088,424	12,457,955
Total Debt	\$56,847,151	\$105,769,202	\$140,442,153	\$209,346,951	\$204,546,482

¹ Measure Y bonds issued against the \$102 million authorized include the following:

Series A: June 2002	\$44,997,800
Series B: May 2004	29,999,744
Series C: May 2005	<u>26,999,610</u>
Total bonds issued	\$101,997,154

² Other capital outlay funds include the Capital Facilities Fund (developer fees), the Capital School Facilities Fund (state monies), the Special Reserves Capital Outlay Fund (special board-approved projects), CFD#1 bonds and certificates of participation. See the "Other Capital Outlay Funds" table for detail.

OTHER CAPITAL OUTLAY FUNDS
FISCAL YEARS 2002-03 Through 2005-06 (AUDITED) AND FISCAL YEAR 2006-07 (UNAUDITED ACTUALS)

Fiscal Year Ending June 30, 2003	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1⁴	Certificates of Participation⁵	Capital Projects Component Unit⁶	Totals
Beginning Balance	\$1,225,831	\$ 965,220	\$2,270,273	\$ 0	\$ 0	\$ 0	\$ 4,461,324
Revenues	2,631,453	44,471	86,480	24,424	0	0	2,786,828
Expenditures	2,125,577	1,939,259	4,230,456	202,239	68,636	0	8,566,167
Transfers (Net)	133,780	8,159,144	5,689,343	5,396,708	5,477,426	0	24,856,401
Net Change	639,656	6,264,356	1,545,367	5,218,893	5,408,790	0	19,077,062
Ending Balance	\$1,865,487	\$7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$0	\$23,538,386

Fiscal Year Ending June 30, 2004	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1⁴	Certificates of Participation⁵	Capital Projects Component Unit⁶	Totals
Beginning Balance	\$1,865,487	\$ 7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$0	\$23,538,386
Revenues	7,188,697	58,312,647	108,773	351,971	1,061,505	0	67,023,593
Expenditures	1,475,066	37,433,529	1,980,645	2,535,712	1,062,380	0	44,487,332
Transfers (Net)	(6,557,605)	15,032,327	6,299,207	0	(3,791,841)	0	10,982,088
Net Change	(843,974)	35,911,445	4,427,335	(2,183,741)	(3,792,716)	0	33,518,349
Ending Balance	\$1,021,513	\$43,141,021	\$8,242,975	\$3,035,152	\$1,616,074	\$0	\$57,056,735

Fiscal Year Ending June 30, 2005	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³			Capital Projects Component Unit⁶	Totals
Beginning Balance	\$1,021,513	\$ 43,141,021	\$8,242,975			\$3,872,680	\$56,278,189
Revenues	4,357,032	10,676,809	211,171			43,087	15,288,099
Expenditures	831,694	43,113,874	927,206			838,739	45,711,513
Transfers (Net)	35,822	13,185	1,402,458			(1,282,733)	168,732
Net Change	35,822	(32,423,880)	686,423			(2,078,385)	(30,254,682)
Ending Balance	\$4,582,673	\$10,717,141	\$8,929,398			\$1,794,295	\$26,023,507

Fiscal Year Ending June 30, 2006	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³			Capital Projects Component Unit⁶	Totals
Beginning Balance	\$4,582,673	\$10,717,141	\$8,929,398			\$1,794,295	\$26,023,507
Revenues	1,732,905	1,158,460	3,800,975			907,962	7,600,302
Expenditures	2,171,793	9,313,050	5,015,613			1,513,331	18,013,787
Transfers (Net)	0	1,207,002	64,053,013			144,963	65,404,978
Net Change	(438,888)	(6,947,588)	62,838,375			(460,406)	54,991,493
Ending Balance	\$4,143,785	\$3,769,553	\$71,767,773			\$1,333,889	\$81,015,000

Fiscal Year Ending June 30, 2007	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³	Capital Projects Component Unit⁶	Totals
Beginning Balance	\$4,143,785	\$3,769,553	\$71,767,773	\$1,333,889	\$81,015,000
Revenues	7,305,851	200,183	5,785,360	N/A	13,291,394
Expenditures	5,682,096	1,645,719	64,241,053	N/A	71,568,868
Transfers (Net)	0	0	2,199,232	N/A	2,199,232
Net Change	1,623,755	(1,445,536)	(56,256,461)	N/A	(56,078,242)
Ending Balance	\$5,767,540	\$2,324,017	\$15,511,312	\$1,333,889	\$24,936,758

¹ The Capital Facilities Fund (Fund 25) is used for developer fees. Level 1 fees were in effect through June 30, 2006. As of June 12, 2006, Level 1 fees were \$2.63/square foot for residential and \$0.42/square foot for commercial/industrial. As of August 25, 2004, Level 2 fees of \$3.56/square foot were imposed on new residential houses in lieu of Level 1 fees. As of June 30, 2005, the Placentia-Yorba Linda Unified School District has 1,714 future housing units to be built, which have at least tentative map approval.

² The County School Facilities Fund (Fund 35) is used for State Allocation Board (SAB) funds received for modernization, site acquisition and new construction projects for which the District is eligible.

³ The Special Reserve Fund (Fund 40) is used to account for funds set aside for board-designated construction projects. For 2005-06, includes the proceeds from a COP issued against the future Yorba Linda Redevelopment Agencies monies.

⁴ A District-wide Community Facilities District No. 1 (CFD#1) (Fund 91) was approved by the voters on November 12, 2002. A \$5,505,000 bond was issued in December 2002 to fund site acquisition and building construction projects. The bonds will be repaid over thirty (30) years.

⁵ The District issued Certificates of Participation (COPs), Series B for \$5,550,000 in May 2003 to be used for various capital project needs. The District issues COPs, Series A, for \$16,635,000 in September 2003 to be used for various capital project needs. The new COPs will be repaid over thirty (30) years. The old COPs will be repaid over twenty-five (25) years. (A certificates of participation is a loan, not a source of funds, repaid over time from other District revenues, usually from a designated revenue stream such as developer fees.)

⁶ The Capital Projects Component Unit Fund is used to account for COPs/CFD funds for District designated construction projects. It replaces the CFD #1 and Certificates of Participation funds. Accounting data for 2006-07 were not available.

District voters approved Measure Y with a 65.70 percent vote. A 55 percent vote was required for the passage of the measure.

The use of Measure Y funds, the scope defined by Resolution No. 10, and Appendix A and Exhibit A-1 provide the range of projects subject to this performance audit, as required by the state constitution. The District is in full compliance with all provisions in Resolution No. 10, which authorized the \$102 million Measure Y bond measure.

CITIZENS' BOND OVERSIGHT COMMITTEE

Statutes governing a Citizens' Oversight Committee (Education Code Sections 15278-15282) were included in Assembly Bill 1908 (2000) and took effect upon passage of Proposition 39 on November 7, 2000. (See Appendix B.)

Education Code Section 15278 requires that the governing board establish and appoint members to an independent citizens' oversight committee within 60 days of the date that election results are certified. The Board of Education duly certified Measure Y election results and appointed members to the committee, thereby complying with statute. The district created a citizens' bond oversight committee, with an initial membership of nine members of the district (seven minimum required) as follows:

Statutory Requirements (Seven Members Minimum)

- Business Community
- Senior Citizens' Organization
- Taxpayers' Organization
- Parent or Guardian of child enrolled in the district
- Parent or Guardian of child enrolled in the district, plus Active in a Parent-Teacher Organization
- Four additional members

There are currently eight (8) members serving on the committee.

The Board, on December 12, 2006, reappointed six original members of the citizens' oversight committee for an additional two-year term and replaced a member who had left the committee.

In addition to State of California statutes that set forth the activities of a Citizen's Oversight Committee (Appendix B), the District has developed bylaws to clarify the Committee's role and duties. Included within the bylaws is a requirement to hold regular meetings. These meetings enable the Committee to conduct reviews and monitoring of Measure Y revenues and expenditures.

Education Code Section 15280(b) requires that the citizens' oversight committee issue an annual report and maintain a website. The district and committee are in full compliance with these requirements. A link to the committee exists within the district website. The Committee website includes all meeting agendas and minutes, audit report and pertinent information about the Measure Y bonds.

Observation

- Commendations from persons interviewed included the following anecdotal comments: "The committee has a good representation of different groups."; "The district has a good citizens' oversight committee."; "The district is open with the citizens' oversight committee and seeks input from the committee."

Commendation

- The district and committee are commended for their full compliance with the law and for a broad representation of the community on the committee.

STATE SCHOOL FACILITIES PROGRAM

The District has filed facilities applications under the following programs:

- 50 - New Construction
- 57 - Modernization
- 58 - Rehabilitation

As of June 30, 2007, the District has received the state grant amounts summarized in the following table:

State Program	SAB#	State Grant Amounts	Status
New Construction	50/001-50/027 ¹	\$4,107,686	Completed (Project Closed)
New Construction	50/028-50/029 ²	19,896,066	In process
Modernization	57/001-57/026 ³	53,383,643	Nearing completion
Rehabilitation	58/001 ⁴	712,020	Completed (5/4/2007)
Total State Grant Amount		\$78,099,415	

¹ These twenty-seven (27) projects were funded by the state in 2000, prior to the passage of Measure Y.

² Melrose Elementary and Lakeview Elementary which were also included in Measure Y.

³ These twenty-six (26) projects were part of the thirty-one (31) existing campuses included in Measure Y.

⁴ Mabel Paine Elementary School

By utilizing the various State programs available to the District, State grant amounts received to date total \$78,099,415.

Applications for two (2) new school projects – Gualberto J. Valadez Middle School and Yorba Linda High School – have been filed, which will substantially increase the state funding of District projects.

STATE MODERNIZATION STATUS

31 EXISTING CAMPUSES INCLUDED IN EXHIBIT A-1, RESOLUTION NO. 10

NO. EXISTING CAMPUS	SAB# ¹ 57	SAB 50-04 APPROVAL DATE	SAB 50-05 GRANT AMOUNT ²	RELEASE DATE	STATUS
1. Adult Education					
2. Bernardo Yorba Middle ³	014	12/18/2002	\$2,924,090 28,386	7/16/2003 9/29/2003	Complete 8/10/2006
3. Brookhaven Elementary	023	12/18/2002	1,207,631	5/27/2004	Complete 5/9/2007
4. Bryant Ranch Elementary					
5. El Camino Real High (Cont.) ⁵	000	9/27/2000			
6. El Dorado High	013	12/18/2002	6,362,659	10/29/2003	99% Complete 9/14/2006
7. Esperanza High ⁴	001	12/18/2002	160,098	11/20/2000	Closed 1/31/2002
7. Esperanza High ⁴	019	12/18/2002	9,465,190	9/22/2003	99% Complete 9/14/2006
8. Fairmont Elementary ³	010	12/18/2002	2,209,242 27,123	7/16/2003 9/29/2003	Complete 8/10/2006
9. George Key TMR	002	7/5/2000	638,244	11/20/2000	Closed 6/27/2002
10. Glenknoll Elementary	022	12/12/2002	1,486,912	6/14/2004	Complete 7/5/2007
11. Glenview Elementary	020	12/18/2002	1,616,209	6/14/2004	Complete 7/18/2007
12. Golden Elementary ³	006	12/18/2002	1,058,883 16,942	7/16/2003 9/29/2003	Complete 8/10/2006
13. Kraemer Middle ⁴	012	12/18/2002	2,567,599	5/27/2004	Complete 5/9/2007
14. La Entrada High					
15. Linda Vista Elementary	021	12/18/2002	1,258,525	6/14/2004	Complete 7/5/2007
16. Mabel Paine Elementary	003	7/5/2002	1,017,763	11/20/2000	Closed 3/30/2004
17. Morse Avenue Elementary	015	12/18/2002	1,339,514	6/14/2004	Complete 6/11/2007
18. Parkview School					
19. Rio Vista Elementary ⁴	011	12/18/2002	2,843,894	5/27/2004	Complete 5/9/2007
20. Rose Drive Elementary ³	007	12/18/2002	1,155,581 18,489	7/16/2003 9/29/2003	Complete 8/10/2006
21. Ruby Drive Elementary ³	009	12/18/2002	1,280,573 20,489	7/16/2003 9/29/2003	Complete 8/10/2006

22. Sierra Vista Elementary	017	12/18/2002	1,404,162	6/14/2004	Complete 6/11/2007
23. Topaz Elementary	024	12/18/2002	2,015,108	7/6/2004	Complete 7/5/2007
24. Travis Ranch Middle					
25. Tuffree Middle	004	7/5/2000	1,556,636	11/20/2000	Closed 10/6/2005
26. Tynes Elementary ⁵	025	2/26/2003			PM Complete
27. Valencia High ⁴	008	12/18/2002	5,492,022	11/4/2003	99% Complete 9/14/2006
28. Van Buren Elementary	016	12/18/2002	1,294,975	6/21/2004	Complete 7/5/2007
29. Wagner Elementary	018	12/18/2002	1,271,376	6/14/2004	Complete 6/11/2007
30. Woodsboro Elementary ⁵	026	2/26/2003			PM Complete
31. Yorba Linda Middle	005	7/5/2000	1,645,328	11/20/2000	Closed 1/16/2004
Total State Grant Amount			\$53,383,643		

¹ A "000" indicates that the District has filed form SAB 50-03, establishing eligibility. A project number is not assigned until the District files form SAB 50-04, which requires DSA-stamped plans and CDE approval. A blank indicates that either the status is unknown or that eligibility has not been established. The most likely cause for lack of eligibility is a school's age. Permanent buildings and portables must be 25 years and 20 years old, respectively, to qualify for modernization.

² For project applications (SAB 50-04) filed before April 29, 2002, the state grant is 80 percent of the total state modernization budget. Thereafter, the state grant although unchanged in amount, would be 60 percent, requiring a high amount in district share. The District must provide its share of the project budget from local sources. Second grant amounts entered under the primary entry are for the required Labor Compliance Program.

³ Projects sampled under the performance audit for the period ended June 30, 2003.

⁴ Additional projects sampled under the performance audit for the period ended June 30, 2004.

⁵ As of June 30, 2007, these projects are on hold. Because of recent unexpected inflationary cost increases, there are insufficient monies available from Measure Y to fund these modernization projects. The District plans to modernize these schools in the future when local matching funds become available.

STATE SITE ACQUISITION/NEW CONSTRUCTION STATUS

**FOUR PROPOSED NEW SCHOOLS
INCLUDED IN EXHIBIT A-1, RESOLUTION NO. 10**

The District completed the required documentation and filed forms SAB 50-01, 50-02 and 50-03 with the Office of Public School Construction (OPSC) on February 8, 1999, to establish new construction eligibility. The State Allocation Board (SAB) certified the eligibility on July 28, 1999. The District filed updated forms SAB 50-01, 50-02 and 50-03 on February 25, 2004, based on CBEDS data for 2000-01 through 2003-04 and 1,714 new dwelling units. The chart below reflects the changes in certified eligibility between the initial certification on July 28, 1999, and the District-adjusted eligibility as of June 30, 2006.

Grades	SAB Certified Eligibility July 28, 1999	District Adjusted Eligibility As of June 30, 2006*
K-6	1,567	(1,241)
7-8	599	(598)
9-12	2,623	873
Special Education	39	46

*Because Yorba Linda High School is designed for 1,600 students, eligibility for 873 students means that state funding will include the site purchase, site development and about half of the normal building construction grant. In addition to the four (4) new schools to be funded from Measure Y, a new Eastside Elementary School is planned for construction at some time in the future.

STATE NEW CONSTRUCTION FUNDING STATUS

NO.	NEW SCHOOL	SAB# 50/	SAB 50-04 APPROVAL DATE	SAB 50-05 GRANT AMOUNT	RELEASE DATE	ESTIMATED TOTAL COSTS⁵
1.	Melrose Elementary ¹	028	5/26/04	\$ 9,656,842	6/21/04	\$18,719,694
				41,667	3/29/05	
2.	Lakeview Elementary (LCP) ²	029	3/30/05	10,197,557	6/23/05	18,396,723
3.	Gualberto J. Valadez (formerly Southwest) ³	030				54,649,994
4.	Yorba Linda High ⁴	031				152,395,703
	Total State Grant Amount			\$19,896,066		\$244,162,114

Notes

¹ The State Allocation Board (SAB) approved an application for Melrose Elementary School (SAB 50-04) on May 26, 2005, which includes \$1,823,538 for site acquisition and \$7,833,304 for construction (\$9,656,842 total). The SAB approved the funding application (SAB 50-05) on June 11, 2004, and state funds were released to the District on June 21, 2004. The project consists of thirty-five (35) classrooms with a state capacity of 875 (25 per classroom). Additional \$41,667 for labor compliance were released on March 29, 2005. As of July 18, 2007, the project was 99% complete.

NEW MIDDLE SCHOOL

Gualberto J. Valadez Middle School
(Formerly Southwest Middle School)

Valadez Middle School is scheduled to open in the Fall of 2008 to serve 800 grades 6-8 students. It is located on a 10.02 acre site at La Jolla and Melrose, adjacent to the Melrose Elementary School site (formerly McFadden Park).

The District's Board of Education authorized the Superintendent to negotiate for the acquisition of four (4) parcels of land at its meeting of June 20, 2006, based on the following appraised values and descriptions:

Parcel(s)	Acres	Owner	Appraised Value
344-172-02/04	6.168	Joseph L. Grahek Estate	\$8,700,000
344-172-05	1.762	OCWD ¹	1,403,700
Unknown	1.332	OCFCD ²	580,410
Unknown	0.758	District	N/A
Totals	10.020		\$10,684,110

¹ Orange County Water District

² Orange County Flood Control District

Several structures are on the site. As stated in the Performance Audit for the period ending, June 30, 2005, the District will relocate one (1) tenant at a cost of \$135,584, and another tenant is leasing 60,000 square feet of space for \$29,000 per month.

In preparation for acquisition of the site and construction of the new school, the District has taken the following actions:

Board Meeting	Action	
July 13, 2004	Architect selection: WLC Architects, Inc.	
August 24, 2004	Selection of consultant to prepare Environmental Impact Report (EIR): LSA Associates, Inc.	\$64,500
August 24, 2004	Selection of consultant to prepare geotechnical studies: Mission Geoscience, Inc.	\$54,175
March 22, 2005	Approval of Schematic Design	
October 25, 2005	Approval of Design Development and Construction documents	
December 6, 2005	Approval of the name for the new school: Gualberto J. Valadez Middle School	
February 14, 2006	Award contract for Program Management/Construction Management (PM/CM) services with 3D/International and California Construction Management (3DI/CCM)	\$1,569,772
June 5, 2006	Certify the EIR	

Board Meeting	Action	
June 20, 2006	Certify the findings regarding the investigation of the site: Preliminary Environmental Assessment (PEA) and Department of Substances Control (DTSC).	
June 20, 2006	Authorize funding application to OPSC/SAB (SAB 50-04) based on use of 9-12 grants, based on 32 classrooms and 810 grade 9-12 grants.	
October 10, 2006	Approved agreement for Labor Compliance Services with Golden State Facilities Services.	\$65,500
October 24, 2006	Approved agreement for Inspection and Testing Services with Knowland Construction Services, LLC	\$164,362
October 24, 2006	Approved Amendment No. 5 for Real Estate Property Services with Oxbridge Development	\$12,000 (Amended contract = \$71,000)
December 12, 2006	Approved Amendment No.4 for ALTA Survey with FUSOCE Engineering	\$17,980
March 13, 2007	Approved Amendment No.8 for Real Estate Appraisal Services with Integra Realty Resources	\$3,500
May 8, 2007	Approved Amendment No.4 for Geotechnical Services with John Byerly.	\$6,069
May 24, 2007	Approved Amendment No.1 for Testing and Inspection Services with Knowland Construction Services (Transferred to TGR/Reliant)	(\$75,900) (Amended contract = \$88,462)
May 24, 2007	Approved agreement for Geotechnical and Material Inspection and Testing Services with TGR/Reliant	\$75,900
July 17, 2007	Approval of additional Program/Construction Management services for Valadez Middle School and Yorba Linda High School with California Construction Management, Phaseone Construction Group and 3D/International	
July 17, 2007	Approval of increase in architectural fees to WLC Architects due to increased construction costs	
September 18, 2007	Approved agreement for Reprographic Services with OCB Reprographics	\$43,000

**GUALBERTO J. VALADEZ MIDDLE SCHOOL
CONTRACTS AWARDED BY BOARD OF EDUCATION
(BID NO. 207 - xxx)¹**

Bid No.	Award Date	Category	Bid Amount	Contractor
2	9/11/06	Grading, Demolition, Abatement and Relocation	\$816,077	American Wrecking, Inc.
24	10/10/06	Sports Lighting	669,000	American Electric Company
4	10/24/06	General Construction	2,871,098	Edwin G. Bowen Company, Inc.
5	10/24/06	Landscaping and Irrigation	589,000	ACCU Construction, Inc.
6	10/24/06	Concrete	2,277,144	Edge Development, Inc.
7	10/24/06	Masonry	2,395,000	Bledsoe Masonry, Inc.
9	10/24/06	Millwork	667,120	K & Z Cabinet Co., Inc.
10	10/24/06	Roofing	1,774,955	Coast Roofing Co., Inc.
16	10/24/06	Lockers	120,842	Engineering Storage Systems, Inc.
19	10/24/06	Electrical	2,289,000	American Electric Company
20	10/24/06	Low Voltage	721,760	Time and Alarm Systems
21	10/24/06	Painting	357,900	Borbon Incorporated
8	11/14/06	Steel	4,063,100	Columbia Steel, Inc.
13	11/14/06	Acoustical Ceilings	298,400	Preferred Ceilings, Inc.
14	11/14/06	Tackpanel and Markerboard	231,799	ABC School Equipment, Inc.
17	11/14/06	Plumbing	2,886,133	Advanced Mechanical Contractors, Inc.
18	11/14/06	HVAC	2,225,000	Couts Heating & Cooling, Inc.
22	11/14/06	Fencing and Ornamental Irons	549,051	EconoFence, Inc.
23	11/14/06	Asphalt Pavings and Striping	415,930	Hardy & Harper, Inc.
15	2/27/07	Kitchen Equipment	314,320	Kitcor Corporation
28	2/27/07	Ceramic Tile	429,700	Inland Pacific Tile, Inc.
29	2/27/07	Floor Covering	203,100	Continental Floor Covering, Inc.
11	3/27/07	Drywall, Lath, Plaster	2,997,207	Superior Wall Systems
		Total	\$30,162,636	

¹ All categories have been bid except for the Concession Building, which is still in design

**GUALBERTO J. VALADEZ MIDDLE SCHOOL
CHANGE ORDERS**

Bid No.	Change Order No.	Change Order Date	Change Order Amount	Original Contract	Adjusted Contract Cumulative¹	Change Order % Cumulative¹
207-2	1	12/12/06	\$7,102	\$816,077	\$823,179	0.87
207-24	1	2/27/07	8,229	669,000	677,229	1.23
207-2	2	5/8/07	25,371	816,077	848,550	3.98
207-8	2	5/24/07	(23,219)	4,063,100	4,039,881	(0.57)
207-19	2	7/17/07	39,270	2,289,000	2,328,270	1.72
207-6	2	8/28/07	\$7,511	\$2,277,144	\$2,284,655	0.33

¹ The adjusted contract price includes all prior change orders, and the change order percentage is based on the cumulative change order total.

NEW HIGH SCHOOL
 Yorba Linda High School
 (School for 1,600 with capacity up to 2,100)
 (Scheduled to open Fall 2009)

Board Meeting	Action	
July 12, 2005	Preliminary Environmental Assessment (PEA) contract with LFR-LeVire Fricke was approved on February 10, 2004. Increase of \$35,000 to extend the investigation and analysis of 55 acre site.	\$35,000
August 13, 2005	Board approval of schematic design (Deferred to September 13, 2005 meeting)	
September 13, 2005	Board approval of schematic design (Approved) Authorized Design Development	
December 6, 2005	Approved the name of the school as Yorba Linda High School	
January 17, 2006	Approved contract with LFR, Inc. for \$23,020 for an Environmental Site Assessment (ESA) on fill materials to be placed on the new site per DTSC recommendation. (Note: Yorba Linda High School site will need 1.5 million cubic yards of fill material.)	\$23,020
January 17, 2006	Approve contract with Planning Center for an EIR	\$73,250
February 14, 2006	PM/CM services contract approved with 3DI/CCM (3D/International and California Construction Management)	
March 14, 2006 and April 11, 2006	(Previous 15 acres purchased from North Orange County Community College District). Purchase of 50.637 acres from Shapell Industries, Inc. Brings total to 65 gross acres, net 55. (Appraisal \$73M) Purchase price of \$56,431,500; District will receive \$6.5 million in prepaid developer fees. Open escrow – close in six (6) months, pending completion of DTSC, CEQA and CDC.	
March 28, 2006	Approve contract with John R. Byerly, Inc. for Geotechnical services	\$27,000
April 11, 2006	Estimated budget of \$130 plus million. Nathan Shapell has offered a grant to the District of \$13.5 million	
April 11, 2006	Approve Design Development	
May 9, 2006	Original contract with LFR-Levine Fricke on February 10, 2004 for Preliminary Environmental Assessment (PEA). Approve Amendment 4.	

Board Meeting	Action	
June 20, 2006	Approve \$17,000 increase to contract with John R. Byerly, Inc.	\$17,000
	File SAB 50-04 application based on 52 classrooms, 872 grade 9-12 grants and a 49.2 acre site.	
November 14, 2006	Public hearing for Yorba Linda High School Draft Environment Impact Report (EIR).	
November 14, 2006	Approved contract for American Land Title Association (ALTA) survey with Hunsaker & Associates, Inc.	\$17,900
November 14, 2006	Approved Amendment No.2 for Geotechnical Investigation Services with John Byerly.	\$3,900 (Amended contract=\$47,900)
December 12, 2006	Approved Amendment No.1 for EIR services with The Planning Center	\$45,742 (Amended contract=\$118,992)
December 12, 2006	Adopted Resolution No.18 certifying the EIR.	
December 12, 2006	Adopted Resolution No.19 in support of findings regarding investigation of the proposed site.	
December 12, 2006	Approved agreement for an updated appraisal with Steven G. White	\$4,500
January 16, 2007	Approved Amendment No.4 for Geotechnical Investigation Services with John Byerly.	\$2,200 (Amended contract=\$50,100)
February 27, 2007	Approved tentative Right of Entry agreement with Shapell Industries, Inc. to construct a storm water system.	
March 13, 2007	Approved Amendment No.3 for real estate valuation services with Integra Realty Resources	\$5,000 (Amended contract=\$54,700)
March 27, 2007	Announced groundbreaking ceremony to be held on April 3, 2007	
April 24, 2007	Approved agreement for Geotechnical Investigation Services with John Byerly.	\$71,000
May 8, 2007	Approved Amendment No.5 to Geotechnical Investigation Services with John Byerly.	\$4,500 (Amended contract=\$54,700)
May 24, 2007	Ratified Right on Entry agreement with Shapell Industries, Inc. to construct a Storm Water System	
May 24, 2007	Approved agreement for Labor Compliance Services with Golden State Facilities Services	\$102,000

Board Meeting	Action	
May 24, 2007	Approved agreement for DSA Inspection Systems with Knowland Construction Services	\$700,000
June 11, 2007	Approved Amendment No.1 for ALTA survey with Hunsaker & Associates, Inc.	\$100 (Amended contract=\$18,000)
June 11, 2007	Approved agreement for Reprographic Services with OCB Reprographics	\$150,000
June 25, 2007	Approved Resolution No.39 Authorizing the Modification of an Existing Right of Way Easement dedicated to the City of Yorba Linda	
July 17, 2007	Approved Amendment No.4 for Real Estate Valuation Services with Integra Realty.	\$4,000 (Amended contract=\$46,000)
July 17, 2007	Approved Amendment No.1 to agreement for Joint Use of Portion of Future Yorba Linda High School Field Area with City of Yorba Linda	
August 28, 2007	Approve agreement for Material Inspection and Testing Services with TGR Geotechnical, Inc.	\$200,000
August 28, 2007	Approve agreement for an updated appraisal with Steven White	\$4,500

**YORBA LINDA HIGH SCHOOL
 CONTRACTS AWARDED BY BOARD OF EDUCATION
 (BID NO. 207 - xxx)¹**

Bid No.	Award Date	Category	Bid Amount	Contractor
32	3/27/07	Grading	\$1,447,515	McKenna General Engineering, Inc.
33	3/27/07	Soil Retention Unit Masonry System	632,019	TC Construction Company, Inc.
36	5/8/07	Electrical	4,310,000	Baker Electric, Inc.
37	5/8/07	Plumbing	2,750,000	Verne's Plumbing, Inc.
38	5/8/07	Masonry	5,747,000	Industrial Masonry, Inc.
39	5/8/07	Steel	4,449,500	Construction Steel Workers, Inc.
40	5/8/07	Roofing	1,860,000	BEST Contracting Services, Inc.
41	5/8/07	HVAC	2,953,000	Couts Heating and Cooling, Inc.
42	5/8/07	Plaster	1,796,987	Perlite Plastering Co., Inc.
43	5/8/07	Drywall	3,796,900	Standard Drywall, Inc.
44	5/8/07	Fire Alarm	1,174,000	Cosco Fire Protection, Inc.
46	5/8/07	Fencing	519,200	Crown Fence Co.
48	5/8/07	Ceramic Tile	594,000	Inland Pacific Tile, Inc.
49	5/8/07	Soft Flooring	276,800	Prospective Contract Flooring
50	5/8/07	Acoustics	288,727	Preferred Ceilings, Inc.
51	5/8/07	Low Voltage	798,520	Time and Alarm Systems
53	5/8/07	Tack panel/Markerboard	279,777	Preferred Ceilings, Inc.
54	5/8/07	Paint	381,000	Prime Painting Contractors, Inc.
55	5/8/07	Cabinets	849,000	Dow Diversified, Inc.
34	5/24/07	General Construction	6,978,000	USS Cal Builders, Inc.
59	6/25/07	Site Utilities	1,376,000	Mel Smith Electric, Inc.
60	6/25/07	Structural Concrete	4,350,000	T.B. Penick & Sons, Inc.
		Total	\$47,607,945	

¹ Several categories are remaining to be bid.

**YORBA LINDA HIGH SCHOOL
CHANGE ORDERS**

Bid No.	Change Order No.	Change Order Date	Change Order Amount	Original Contract	Adjusted Contract	Change Order % Cumulative
207-32	1	9/18/07	\$51,971	\$1,447,515	\$1,499,487	3.59

DESIGN AND CONSTRUCTION COSTS AND SCHEDULES

Because the District has a number of funding sources for its facilities program in addition to Measure Y bonds, it is difficult to completely match Measure Y bond fund expenditures with project expenditures. For the five fiscal years 2002-03 through 2006-07, the Measure Y Building Fund (Funds 21, 22, and 23) had expenditures of \$84.4 million. When all sources of funds are considered, all projects had a four-year total expenditure of \$306.3 million.

The following table presents the expenditures in the Facilities Program for all funds:

MODERNIZATION PROJECTS – EXPENDITURES

EXPENDITURES – ALL FUNDS¹

Project.	School	2002-03	2003-04	2004-05	2005-06	2006-07	Total
YOR	Bernardo Yorba Linda	\$549,180	\$3,451,592	\$770,387	\$17,111	\$2,282	\$4,790,552
BRK	Brookhaven Elem.	266,458	699,537	3,563,354	205,133	-1,641	4,732,841
BR	Bryant Ranch Elem.	-4,900	93,746	53,221	41,694	270,600	454,361
DEC	District Education Ctr.	50,392	351,173	329,625	287,158	600,958	1,619,306
ELC	El Camino High	0	24,109	9,993	308,333	463,198	805,633
ELD	El Dorado High	557,616	7,529,340	2,833,202	254,287	653,363	11,827,808
ESP	Esperanza High	562,871	9,934,567	6,982,204	423,550	1,099,582	19,002,774
FMT	Fairmont Elementary	734,122	4,555,119	1,061,356	172,698	19,276	6,542,571
KEY	George Key Elem.	57,345	39,322	612	0	489	97,768
GLK	Glenknoll Elementary	12,826	777,800	4,546,485	242,301	-61	5,579,351
GLV	Glenview Elementary	186,434	387,931	4,697,405	277,826	615	5,550,211
GLD	Golden Elementary	828,088	2,469,435	-14,034	35,275	143,324	3,462,089
KRA	Kraemer Middle	21,284	683,473	3,239,449	1,743,860	113,431	5,801,497
LKV	Lakeview Elementary	438,715	648,808	10,097,668	7,146,082	36,062	18,367,335
LV	Linda Vista Elementary	42,088	430,372	4,436,693	581,730	26,261	5,517,144
MP	Mabel Paine Elem.	252,616	2,314,383	65,843	-6,466	3,363	2,629,739
MEL	Melrose Elementary	159,404	10,901,366	6,745,283	577,101	181,837	18,383,105
MRS	Morse Avenue Elem.	131,431	977,721	3,014,908	193,752	19,431	4,337,242
PKV	Parkview School	142,887	1,795	-1,795	0	0	142,887
RV	Rio Vista Elementary	179,639	990,764	3,144,990	1,118,017	45,677	5,549,087
ROD	Rose Drive Elementary	506,324	2,348,078	161,136	101,716	4,032	3,121,286
RUB	Ruby Drive Elementary	1,146,905	2,358,049	58,144	31,893	10,030	3,605,021
SV	Sierra Vista Elem.	159,468	739,682	3,293,877	350,658	33,313	4,576,998
SW	Southwest Middle	228,589	112,538	985,226	1,814,280	21,652,820	24,793,453
TOP	Topaz Elementary	444,286	306,459	4,435,476	1,284,313	130,428	6,600,692
TRE	Travis Ranch Elem.	5,218	13,811	258,783	1,479,347	131,290	1,888,449
TRM	Travis Ranch Middle	704	25,495	19,957	0	0	46,156
TUF	Tuffree Middle	117,745	0	57,020	500,848	118,028	793,641
TYN	Tynes Elementary	189,357	200,981	177,028	705,460	59,318	1,322,144

MODERNIZATION PROJECTS – EXPENDITURES CONTINUED
EXPENDITURES – ALL FUNDS¹

Project.	School	2002-03	2003-04	2004-05	2005-06	2006-07	Total
VHS	Valencia High	541,543	4,081,708	5,289,363	1,619,021	5,469,334	17,000,969
VB	Van Buren Elementary	188,194	631,419	4,019,469	233,502	3,255	5,075,839
WAG	Wagner Elementary	269,837	611,074	3,137,573	160,547	24,276	4,203,307
WDS	Woodsboro Elementary	295,029	35,202	58,655	529,873	87,358	1,006,117
YLH	Yorba Linda High	546,635	14,849,397	320,938	2,180,869	59,130,057	77,027,869
YLM	Yorba Linda Middle	871,213	112,546	62,443	142,982	78,457	1,267,640
TOTALS		\$10,679,542	\$73,688,790	\$77,911,937	\$24,824,751	90,610,044	\$277,715,064
OTHER							
	Maintenance Transfer			930,000	930,000	930,000	2,790,000
	Project Reserve						
	Balance			0	0	0	0
	Mabel Paine						
	Emergency			807,449	706,755	276,998	1,791,202
	RDA Payments			0	0	3,549,594	3,549,594
	Siemens No. 1-2			1,248,686	1,404,916	1,393,821	4,047,423
	COP "A" Repayment			0	16,385,000	0	16,385,000
	Total Other	0	0	2,986,135	19,426,671	6,150,413	28,563,219
Grand Total		\$10,679,542	\$73,688,790	\$80,898,072	\$44,251,422	96,760,457	\$306,278,283

¹ Based on Capital Improvement Program Report dated September 28, 2007, with 2006-07 adjustments to reflect actual cumulative expenditures for the fiscal years 2002-03 through 2006-07.

DESIGN AND CONSTRUCTION BUDGETS

Process Utilized

In this examination, Total School Solutions (TSS) reviewed records and documents, and conducted interviews with appropriate staff members. TSS also referenced files from various outside agencies including the Division of State Architect and Office of Public School Construction, to obtain information from independent sources.

Background

TSS verified that the Board of Education had approved the budgets, including design and construction costs, for projects in the program. Planned projects, their budgets and schedules are approved by, and appear on reports to, the Board of Education. On March 22, 2005, the District presented an updated "Capital Improvement Program – Fiscal Overview Sources and Uses" report to the Board of Education. Based on a review of documents, projects appear to be proceeding in a manner consistent with their respective authorized budgets as demonstrated in the table below. It should be noted that subsequent to the current audit period, District staff updated projected revenues and expenditures in a Capital Improvement Program Worksheet, dated September 24, 2007. That document, with adjustments provided by the District, was used by this audit report.

Commendation

- District staff is commended for continually updating projected revenues and expenditures in order to provide a clear overview of the facilities program.

Finding

- There are no findings in this section.

PROJECT BUDGET AND EXPENDITURES - ALL FUNDS

Project.	School	Budget	2002-03 through 2006-07 Expenditures	Percent of Budget
YOR	Bernardo Yorba Linda Middle	\$ 4,929,108	\$4,790,552	97.2
BRK	Brookhaven Elementary	4,759,591	4,732,841	99.4
BR	Bryant Ranch Elementary	933,361	454,361	48.7
DEC	District Education Center	1,766,997	1,619,306	91.6
ES	Eastside Elementary	8,600,000	0	0
ELC	El Camino High	5,120,784	805,633	15.7
ELD	El Dorado High	26,507,674	11,827,808	44.6
ESP	Esperanza High	21,981,910	19,002,774	86.4
FMT	Fairmont Elementary	6,884,571	6,542,571	95.0
KEY	George Key Elementary	506,279	97,768	19.3
GLK	Glenknoll Elementary	5,838,984	5,579,351	95.6
GLV	Glenview Elementary	5,936,514	5,550,211	93.5
GLD	Golden Elementary	3,621,691	3,462,089	95.6
KRA	Kraemer Middle	6,202,166	5,801,497	93.5
LKV	Lakeview Elementary	18,396,723	18,367,335	99.8
LV	Linda Vista Elementary	5,800,751	5,517,144	95.1
MP	Mabel Paine Elementary	2,990,959	2,629,739	87.9
MEL	Melrose Elementary	18,719,694	18,564,991	99.1
MRS	Morse Avenue Elementary	4,337,242	4,337,242	100.0
PKV	Parkview School	142,887	142,887	100.0
RV	Rio Vista Elementary	8,675,159	5,549,087	64.0
ROD	Rose Drive Elementary	3,242,286	3,121,286	78.8
RUB	Ruby Drive Elementary	3,961,067	3,605,021	91.0
SV	Sierra Vista Elementary	4,708,864	4,576,998	97.2
SW	Southwest Middle (Gualberto J. Valadez)	54,649,994	24,793,453	45.4
TOP	Topaz Elementary	6,931,111	6,600,962	95.2
TRE	Travis Ranch Elementary	2,121,903	1,888,449	89.0
TRM	Travis Ranch Middle	392,811	46,156	11.8
TUF	Tuffree Middle	6,107,311	793,641	13.0
TYN	Tynes Elementary	13,812,765	1,332,144	9.6
VHS	Valencia High	20,298,614	17,000,969	83.8
VB	Van Buren Elementary	5,756,134	5,075,839	88.2
WAG	Wagner Elementary	4,249,785	4,203,307	98.9
WDS	Woodsboro Elementary	9,073,449	1,006,117	11.1
YLH	Yorba Linda High	152,395,703	77,027,896	50.5
YLM	Yorba Linda Middle	3,407,984	1,267,640	37.2
TOTAL PROJECTS		\$453,762,826	\$277,715,065	61.2%
OTHER				
	Maintenance Transfer	\$ 28,830,000	\$ 2,790,000	9.7
	Project Reserve Balance	0	0	0
	Mabel Paine Emergency	2,037,853	1,791,202	87.9
	RDA Payments	167,414,658	3,549,594	2.1
	Siemens No. 1	6,161,507	1,760,431	28.6
	Siemens No. 2	14,277,497	2,286,992	16.0
	COP "A" Repayment	16,385,000	16,385,000	100.0
	Total Other	\$235,106,515	\$28,563,219	12.1%
	Grand Total	\$688,869,341	\$306,278,284	44.5%

PROGRAM/CONSTRUCTION MANAGEMENT COSTS

The table below summarizes the contracts with five (5) construction management firms under contract with the District and their respective costs for project management/construction management (PM/CM) services as of June 30, 2007.

PM/CM Firm	PM/CM (Total Fees)
3DI ¹	\$ 4,073,000
3DI ²	4,158,518
3DI ²	2,681,985
3DI ²	1,515,634
Bernards Brothers ³	4,879,650
Turner Construction Co. ⁴	5,681,890
Phaseone Construction Group ⁵	1,376,478
Turner Construction Co. ⁶	207,500
California Construction Mgmt ⁷	380,000
Totals	\$24,954,655

¹ Includes three (3) contract amendments.

² Includes one (1) contract amendment.

³ Includes four (4) contract amendments. Services include a number of multi-prime construction projects, which require project/construction management services beyond the traditional general contractor approach.

⁴ Includes design management services in addition to construction management.

⁵ Includes three (3) contract amendments.

⁶ Settlement Agreement.

⁷ New Contract.

In the audit report for the period ending June 30, 2004, it was reported that PM/CM costs, as a percentage of construction costs, varied from 11.6 percent (traditional PM/CM services) and 18.5 percent (including numerous multiple-prime contracts which require services beyond the traditional level of service) to 23.9 percent (including additional design management services). Those percentages were found to be consistent during the subsequent audit period ending June 30, 2006.

During the current audit period there were total increases in and/or additional contracts in the amount of \$2,272,516. These increases are for the Yorba Linda High School, the Valadez Middle School, and the Valencia Locker Room projects.

Based on available data, it appears that current PM/CM percentages are consistent with those reported in the June 30, 2004 and the June 30, 2006 audit reports. The scope of services provided by these firms, as well as the compensation, appears to be within industry standards.

CHANGE ORDER AND CLAIM PROCEDURES

Process Utilized

In the process of this examination, relevant documents were analyzed. Interviews were also conducted with the Facilities and Construction Management Team.

Background

No changes have been reported in the change order and claim procedures and processes since the prior year.

During the course of construction, some additional work may be required to mitigate unforeseen conditions or conflicts in plans and specifications. Typically, change orders for modernization cannot be avoided due to the age of the buildings, conflicts between records and reality do occur. Industry-wide acceptable percentage for change orders for modernization projects is about 7-8 percent of the original contract amount. (The prevailing change order standard for new construction is 3-4 percent.). The change order contingency amount set by the board appears to be adequate.

Due to the nature of school construction work, issues are often resolved verbally at the weekly construction meetings where the architect, construction manager, inspector and contractor's job superintendent are present. These decisions are then formalized in the meeting minutes and followed up, where appropriate, with a change directive to authorize the work and eventual payment. The District is not liable for the cost of any extra work or substitutions, changes, additions, omissions or deviations from the drawings and specifications unless the District authorizes the work and the cost is approved in writing through a change order or through a construction change directive.

To initiate a change due to unclear or conflicting construction drawings, the contractor issues a Request for Information (RFI). The architects of record (AORs) review the RFI and submits an answer to the contractor indicating whether additional work is merited. To avoid delay claims, the construction manager must minimize the distribution time of RFIs and collaborate with the AORs to find a resolution.

An important part of the change order process is price negotiation. The contractor submits a Proposed Change Order (PCO) to the construction manager. The construction manager reviews the proposal with the inspector, Architect of Record and the District's project manager. If accepted, the construction manager issues a change directive or a change order. The increase or decrease in the contract price caused by a change order may be determined at the District's discretion through the acceptance of a PCO, through unit prices from the original bid or by utilizing a time and materials method as agreed upon by the District and the contractor. At times, the process may go through several cycles due to a disagreement over cost.

When a contractor makes a claim for a contract amount increase or time extension, she notifies the District but continues to execute the work even if the adjustment has not been agreed upon. By having this language in the general conditions of the contract, the District is protected from work stoppage due to a disagreement over the cost of a change order.

As part of the payment process, contractors are asked to submit a schedule of values to determine the appropriateness of the progress payments for their work. The schedule of values may be used as a tool in determining credits when work is no longer necessary. It can also serve as a measure of cost for any additional work.

During construction, contractors may request to substitute their subcontractors listed in their original bids. The process of replacement outlined in the Public Contract Code must be followed, and the replacement subcontractors must be properly licensed and meet the criteria established by the contract.

Change orders processed for sampled school projects during the 2006-07 fiscal year are presented as follows:

Projects	Contractor	Number of Change Orders	Percentage of Change Orders
Valadez MS	American Wrecking	1	3.98%
Valadez MS	Edge Development.	1	0.33%
Valadez MS	Columbia Steel Inc.	1	(0.57%)
Valadez MS	American Electric Company	1	1.72%
Valadez MS	American Electric Company	1	1.23%
Yorba Linda HS	McKenna General	1	3.59%

Commendation

- District continues to successfully convert site plans into electronic files. The process is well-organized and comprehensive. Such means of archival will ensure future accessibility of records for planning purposes resulting in reduced future change orders and claims.

Findings

- There are no findings for this section.

**VALADEZ MIDDLE & YORBA LINDA HIGH SCHOOLS
 CONTRACT AWARDED BY BOARD OF EDUCATION
 BIDS (207 - XX)**

Bid No.	Award Date	Category	Bid Amount	Contractor
2	9/11/06	Grading, Demolition & Abatement	\$ 816,000	American Wrecking
6	10/24/06	Concrete	2,277,144	Edge Development.
8	10/24/06	Steel	4,063,100	Columbia Steel Inc.
19	10/24/06	Electrical	2,289,000	American Electric CO.
24	10/24/06	Sports Lighting	669,000	American Electric CO.
32	3/27/06	Grading	\$1,447,514	McKenna General

**VALADEZ MIDDLE & YORBA LINDA HIGH SCHOOLS
 BIDS (207 - XX)**

Bid No.	Original Contract	Change Order (Number of)	Change Order (Total \$)	Change Order (Last Date)	Adjusted Contract	Change Order (Percent)
2	\$ 816,000	2	\$ 32,473	5/08/07	\$848,550	3.98
6	2,277,144	2	7,511	8/28/07	2,284,655	0.33
8	4,063,100	2	(23,219)	5/24/07	4,039,881	(0.57)
19	2,289,000	2	32,269	7/17/07	2,328,269	1.72
24	669,000	1	8,229	2/20/07	677,229	1.23
32	1,447,514	1	\$ 51,972	9/18/07	\$1,499,486	3.59

**COMPLIANCE WITH DISTRICT POLICIES
AND ADMINISTRATIVE REGULATIONS**

The District has adopted the following Board Policies (BP) and Administrative Regulations (AR) for its facilities program:

BP/AR	Description	Date of Adoption	Date of Revision
7100	The District Master Plan	5/29/73	1/17/89
7101	Facilities Utilization	12/14/71	6/5/90
7101.1	Authorized Use of Classroom/Instructional Space	4/11/83	
7102	District School Organizational Plan	8/22/76	3/25/04
7110	Goals of the Facility Expansion Program	3/8/76	
7112	Forecasting Enrollments	6/25/73	
7142	School District Elections	8/4/75	1/17/89
7143	Community Facilities District	4/16/02	
7551	Naming of Facilities	5/27/75	5/22/01

It was reported in the previous annual audit that most of the board policies and administrative regulations listed were initially adopted over twenty years ago, with several revisions within the past five years. These policies and regulations have not kept pace with rapidly changing state statutes and State Allocation Board (SAB) regulations. For example, SB 50, which was enacted in 1999, made major modifications to the state's School Facilities Program, imposed developer fees (Level 1 and 2) and eliminated Mira fees. In 2000, Proposition 39 enabled school districts to pass facility bonds with 55 percent approval. The state also created the Department of Toxic Substances Control (DTSC) to regulate environmental issues related to new school sites. The board policies and regulations are outdated and do not account for these changes.

In the audit report for the period ending June 30, 2006, the district reported the following:

“The PYLUSD has recently embarked on a review of all school board policies including those pertaining to Facilities and Planning. An evaluation and comparison of current PYLUSD school board policies to CSBA sample policies will be completed. Recommendations for additions, deletions, and modifications to district Board policies relative to Facilities and Planning will be presented for PYLUSD Board of Education consideration by June of 2007.”

Although the task has not been completed by June of 2007, the district is in the process of taking board policies to the board as each section is completed.

Finding

- There are no findings in this section.

District Response

The Placentia-Yorba Linda Unified School District has been working on updating board policies including those of Facilities and Planning. This process has taken longer than anticipated. The board policy revisions for Facilities and Planning are scheduled to be presented to the Board of Education within the next year.

PAYMENT PROCEDURES

Process Utilized

In the process of this examination, invoices, purchase orders and payment documentation pertaining to new construction and modernization projects were reviewed and analyzed. Appropriate District staff was interviewed as necessary.

Background

Payment procedures remained unchanged from 2006. All Measure Y funded invoices are processed by the Senior Account Clerk-Construction in the Accounts Payable Department. Invoices are sent directly to her from the Facilities Department. She is responsible for time-stamping each invoice, making sure all of the appropriate signatures are in order, ensuring that the description of work and/or the goods received matches the description on the purchase order/contract, and that the cumulative totals reported on the payment application agrees with her own progress payment record. She also verifies if any change orders occurred and if so verifies the Board approval date. Once the information is determined to be in good order, the invoice is checked for computational accuracy and processed for payment. Payments are processed in batches and printed in-house checked. The check register and back-up documents are then sent to the Orange County Superintendent of Schools for approval. Once approved, the checks are mailed.

The progress payments are tracked through a spreadsheet by the Senior Account Clerk-Construction. The information is maintained by contract/project. The spreadsheet contains the following information: vendor's name and number, purchase order number, contract amount, description of the contract/agreement, duration of the agreement, board approval date, date on which the information was sent to the county office, any changes (i.e. change order), insurance expiration date, notice of completion date and a history of all payments. The payment history includes the invoice date, number, amount, payment date and the available balance on the contract.

Sample

The Yorba Linda High School New Construction Project and Valadez Middle School New Construction Project were selected for the review of payment procedures. Fifty-six payments were selected and reviewed for proper backup documentation, authorizations and timelines of payment.

Commendations

- This year, the Sr. Account Clerk-Construction began the process of submitting copies of construction contracts and required documentation to the County Office of Education soon after a contract is awarded. This process provides the County Office adequate time to review the documents prior to the receipt of the first payment application. It reduces the amount of time it would take the COE to release the first payment warrant on a contract.

- Staff checks all required approvals. The invoice batches are organized and back-up documentation is complete.
- Staff reported that a payment request is rarely returned due to insufficient backup or missing approvals and that the process continues to improve.
- Staff reported that communication between the Fiscal Services and Facilities department is good.

Observations

- Within the sample of fifty-three payments, one payment application, from American Wrecking Company, was missing the approval and amount certified by the architect (Application #2, dated December 5, 2006, in the amount of \$147,039.30) and one payment (Application #3, dated December 22, 2006), from American Wrecking Company, was not paid within thirty-days. Overall, most of the payments reviewed were made within a reasonable timeframe. Several invoices for legal and architectural services had been paid after the thirty-day time frame. However, according to staff, invoices from both firms routinely run late.
- As of September 19, 2007, no payments had been made to Sunwest Landscaping, (Purchase order 702432 totaling \$23,700) for landscaping services provided at Valadez Middle School. The notice of completion was filed on May 29, 2007. District staff reported that Sunwest had not yet invoiced the district for the services.

Finding

- There are no findings in this section.

Recommendation

- Follow up with vendors should occur regarding outstanding invoicing prior to filing the notice of completion to avoid any possible disputes around payment or costs.

District Response

- The District concurs with the recommendation.

BIDDING AND PROCUREMENT PROCEDURES

Process Utilized

In the process of this examination, numerous purchasing documents and payment documentation pertaining to new construction and modernization projects were reviewed and analyzed. Interviews with various staff members were also held.

Background

The District bid boilerplate was expressly written for the District's construction projects by District counsel. It was updated in August of 2006. The architect may make modifications to the boilerplate, if needed. The District bidding process, including advertisement, is conducted in compliance with applicable laws and regulations.

"Division 0" in the specifications is complete with all components needed for a valid bidding process. It also appears appropriate to protect the District.

District projects are properly advertised in the Orange County Register as required.

The timeline in which a project is bid is determined by the construction manager and district staff based on the construction start date and working backwards. Staff tries to coordinate the bid opening date with the next available board meeting in an effort to expedite the award of contract and notice to proceed.

Bids are received by the Purchasing Department. Once the bids are opened, they are verified for compliance and completion, and are checked for appropriate licenses, bonds, insurance and fingerprinting. Purchasing notifies the Director of Facilities and Planning of its findings and he prepares the Board Agenda for the award of bid. Once approved, the Purchasing Department issues the Notice of Award. The contractor has seven days to submit all of the required documents. A Notice to Proceed is then issued.

Aside from traditional bidding, each year the District utilizes a unit price bid for various trades. Trades offering such pricing include electrical, plumbing, painting and fencing. The District has advertised and received bids for various trades on an hourly basis and percentage quotation to reflect the maximum allowable mark-up for materials, sub-contractors, equipment rental, profit and overhead. These bids are utilized as needed, for services and installation projects and are renewed annually for up to five (5) years as agreed by the District and Contractor. The District began using this method in order to respond to various needs throughout the District in a timely manner and to ensure compliance with legal bid mandates. Projects that require more sophisticated design and engineering are processed through more traditional bids.

Sample

The Yorba Linda High School – New Construction-Grading and Valadez Middle School – New Construction-Plumbing projects were selected for the bidding and procurement review for this audit. The table below shows information regarding the formal bid process conducted by the District for these projects:

Description	Yorba Linda High School New Construction Bid 207-32, Grading	Valadez Middle School New Construction Bid 207-17, Plumbing
Notice To Bidders : 1 st Advertisement Date	February 5, 2007	August 21, 2006 October 10, 2006*
2 nd Advertisement Date	February 12, 2007	August 28, 2006 October 17, 2006*
Newspaper/ Publication	Orange County Register	Orange County Register
Bid Opening Date	March 1, 2007	November 2, 2006
No. of Bids Received	5	4
Lowest Bid	\$1,447,514.90	\$2,886,133.00
Mid-range Bid	\$1,777,000.00	\$3,426,922.00
Highest Bid	\$1,837,000.00	\$3,960,000.00
Low Responsive Bidder	McKenna General Eng.	Advanced Mechanical
Date of Contract Award	March 27, 2007	November 14, 2006
Contract Amount	\$1,447,514.90	\$2,886,133.00
Notice To Proceed Date	April 25, 2007	November 28, 2006

The District elected to use the multiple-prime construction management delivery method for both the construction of Yorba Linda High School and Valadez Middle School. This method utilizes a construction manager that serves as an agent for the District. Trade contracts are awarded to multiple contractors who have a direct contractual relationship with the district rather than a general contractor. This allows the district to choose the firm or individual providing the construction management services through a qualifications-based selection, rather than the traditional low bid. However, the District is still required to use the low bid process for selecting contractors carrying out the actual construction.

The notices to bidders were advertised in the Orange County Register. Advertisements were published on two separate occasions, seven days apart and there were at least fourteen days between the first bid publication and the bid opening date as required by law. Upon review and recommendation by staff and the Superintendent, the Board of Education awarded the contracts to the lowest responsible bidders. The apparent low bidders were determined based on the base bids only. Notices to Proceed were issued after the contractors submitted all of the required insurance certificates, bonds, signed agreements and other documents.

The notice to bidders for the new construction of Valadez Middle School was initially advertised on August 21 and 28, 2006. The initial announcement erroneously called for a non-mandatory pre-bid conference. The District re-advertised the notice on October 10 and 17, 2006 to include a mandatory pre-bid walk and conference.

Commendation

- Proper bidding procedures were utilized for bids in this audit period, including advertisement, bid documents, job walks, addenda and bid evaluation. The notices to proceed are issued in a prompt manner to ensure a timely start of the project.

Observations

- Advantages of using the Multi-Prime delivery method include enhanced district control and flexibility over the construction schedule, increased flexibility with scheduling and bidding, and potential savings without the general contractor mark up. It provides for a better opportunity for local participation as well. Drawbacks of using this method include the requirement to manage more contracts, potential risk, and complexity of scheduling.
- The district continues to utilize unit pricing bids in order to increase efficiency. However, according to staff, this method requires much more time in monitoring and managing workers. Daily reports must be maintained and verified in order to protect the district from paying excessively for work performed. Advantages of using this method include potential savings by minimizing mark up added to smaller projects, and the convenience and savings (both financially and in time) of not having to bid smaller projects. Staff reports that the district is opting to use this method at a lesser frequency and that the County Counsel defines this method as "a grey area".

Finding

- There are no findings for this section.

**EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM AND
COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS WITHIN
THE BOND PROGRAM**

Process Utilized

Total School Solutions (TSS) conducted interviews with key personnel in the facilities, purchasing and other departments, as well as the consultants and other individuals related to, or involved with, the facilities program. Furthermore, the superintendent, assistant superintendent, a board member and a CBOC member were also interviewed.

TSS has observed through personal observations and interviews that those most closely involved with the bond program and with the schools generally have a high level of awareness of the program operations, functions, and needs. Every person interviewed expressed a high level of satisfaction with the facilities program, including use of funds and dissemination of information.

TSS has observed a consistent improvement in the district's communication program. The communication with the community, through the print media, and by the district administration, appears to be effective and productive. A "Measure Y Update" publication, dated March 2006, mailed to District residents, gave a comprehensive review of the two (2) new schools that have opened (Melrose and Lakeview Elementary), the two (2) new schools planned (Gualberto J. Valadez Middle and Yorba Linda High), the twenty-two (22) schools that have been modernized over the past four (4) years, the various sources of monies to finance the construction program, and the role of the Citizens' Oversight Committee.

The District administrators are substantially involved in their local communities. Every member of the superintendent's cabinet actively participates in local service organizations. In addition, the superintendent prepares a regular newsletter and holds monthly forums with teachers from each school. At each school, school site information is prepared for parents, students and teachers.

It should be noted that with a new cohort of students and parents entering the school system every year, the need to provide information about the district programs, including the facilities/bond program, is on-going. The district is encouraged to continue to provide useful and relevant information to all school site councils, PTA groups and the parents in general. There is a general prevailing understanding in the district that the Measure Y facilities program is now winding down. In continuation of its facilities needs, the district has put forth before the community the additional facilities projects proposed for funding out of an upcoming bond measure.

Findings

- There are no findings in this section.

OVERALL BOND PROGRAM

The District has made substantial overall progress in complying with the audit recommendations. During the first audit period for the fiscal year ending June 30, 2004, sixteen (16) findings documenting areas needing improvement were identified. For the June 30, 2005 and June 30, 2006 audit reports, there were only three (3) findings identified each year, and for the current year ending in June 30, 2007, there were no findings. In the current audit report, numerous commendations were made in virtually every aspect of the bond program: revenue enhancement, expenditure controls, the Citizens' Bond Oversight Committee, the change order process, payment procedures, procurement procedures and the communication process.

Because the District has identified facilities needs beyond the scope and funding of Measure Y, the current management structure should serve the District well for many years to come as the District constructs and modernizes funded projects.

APPENDIX A

BOND PROJECT LIST

**EXHIBIT A-1
BOND PROJECT LIST**

Every school campus within the Placentia-Yorba Linda Unified School District will receive Measure Y bond funds. Bond funds will be used to make necessary repairs and upgrades to existing school campuses, as well as construct additional classrooms and schools to address overcrowding and increased enrollment. The thirty-one (31) existing campuses listed below will receive the following repair, upgrade and construction projects as necessary:

Adult Education	Golden Elementary School	Sierra Vista Elementary School
Bernardo Yorba Middle School	Kraemer Middle School	Topaz Elementary School
Brookhaven Elementary School	La Entrada High School	Travis Ranch School
Bryant Ranch Elementary School	Linda Vista Elementary School	Tuffree Middle School
El Camino Real High School	Mabel Paine Elementary School	Tynes Elementary School
El Dorado High School	Morse Elementary School	Valencia High School
Esperanza High School	Parkview School	Van Buren Elementary School
Fairmont Elementary School	Rio Vista Elementary School	Wagner Elementary School
George Key School	Rose Drive Elementary School	Woodsboro Elementary School
Glenknoll Elementary School	Ruby Drive Elementary School	Yorba Linda Middle School
Glenview Elementary School		

Repair, Upgrade and Construction Projects at Existing Schools:

1. Replacement of fire alarm and communications systems to increase student safety.
2. Upgrade science labs at middle and high schools as necessary to meet current curriculum/graduation requirement.
3. Upgrade/replace electrical systems, including, add panels, circuit breakers, transformers, wiring and outlets in classrooms and replace systems as necessary to include energy conservation.
4. Upgrade/replace deteriorating plumbing.
5. Replace/upgrade aging HVAC systems.
6. Address facility safety, code compliance and access for the disabled.
7. Repair and upgrade classrooms and school facilities to meet current standards.
8. Enlarge library/media center areas to accommodate growing enrollment and increasing curriculum demands.
9. Replace/upgrade furniture and equipment.
10. Upgrade restrooms as required by current state and federal standards.
11. Expand and improve school drop-off and parking areas to increase student safety.
12. Upgrade and replace as necessary outdoor play equipment and fields to comply with current safety standards.
13. Construct high school performing arts building.
14. Construct lunch shelters in order to protect students from heat and rain while eating.
15. Expand multi-purpose/cafeterias to accommodate student enrollment.
16. Construct standard classrooms to meet growth needs.
17. Construct additional restrooms to accommodate student enrollment.
18. Construct and/or upgrade additional computer labs to enhance student learning and achievement.

New Construction

Voter approved bond funds will be used to satisfy the state required "local funds" portion of the California State School Facilities New Construction Program. This state program will provide partial state funding for the acquisition of land and construction of:

1. One (1) comprehensive high school in Yorba Linda in order to reduce overcrowding at all existing high schools.
2. One (1) middle school in order to reduce middle school overcrowding in Placentia schools.
3. Two (2) elementary schools in order to reduce overcrowding and accommodate growing enrollment district-wide.

APPENDIX B

CITIZENS' OVERSIGHT COMMITTEE

**CALIFORNIA EDUCATION CODE
SECTION 15278-15282
CITIZENS' OVERSIGHT COMMITTEE**

15278. (a) If a bond measure authorized pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution and subdivision (b) of Section 18 of Article XVI of the California Constitution is approved, the governing board of the school district or community college shall establish and appoint members to an independent citizens' oversight committee, pursuant to Section 15282, within 60 days of the date that the governing board enters the election results on its minutes pursuant to Section 15274.

(b) The purpose of the citizens' oversight committee shall be to inform the public concerning the expenditure of bond revenues. The citizens' oversight committee shall actively review and report on the proper expenditure of taxpayers' money for school construction. The citizens' oversight committee shall advise the public as to whether a school district or community college district is in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The citizens' oversight committee shall convene to provide oversight for, but not be limited to, both of the following:

(1) Ensuring that bond revenues are expended only for the purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(2) Ensuring that, as prohibited by subparagraph (A) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, no funds are used for any teacher or administrative salaries or other school operating expenses.

(c) In furtherance of its purpose, the citizens' oversight committee may engage in any of the following activities:

(1) Receiving and reviewing copies of the annual, independent performance audit required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(2) Receiving and reviewing copies of the annual, independent financial audit required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(3) Inspecting school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(4) Receiving and reviewing copies of any deferred maintenance proposals or plans developed by a school district or community college district, including any reports required by Section 17584.1.

(5) Reviewing efforts by the school district or community college district to maximize bond revenues by implementing cost-saving measures, including, but not limited to, all of the following:

(A) Mechanisms designed to reduce the costs of professional fees.

(B) Mechanisms designed to reduce the costs of site preparation.

(C) Recommendations regarding the joint use of core facilities.

(D) Mechanisms designed to reduce costs by incorporating efficiencies in schoolsite design.

(E) Recommendations regarding the use of cost-effective and efficient reusable facility plans.

15280. (a) The governing board of the district shall, without expending bond funds, provide the citizens' oversight committee with any necessary technical assistance and shall provide administrative assistance in furtherance of its purpose and sufficient resources to publicize the conclusions of the citizens' oversight committee.

(b) All committee proceedings shall be open to the public and notice to the public shall be provided in the same manner as the proceedings of the governing board. The citizens' oversight committee shall issue regular reports on the results of its activities. A report shall be issued at least once a year. Minutes of the proceedings of the citizens' oversight committee and all documents received and reports issued shall be a matter of public record and be made available on an Internet website maintained by the governing board.

15282. (a) The citizens' oversight committee shall consist of at least seven members to serve for a term of two years without compensation and for no more than two consecutive terms. While consisting of a minimum of at least seven members, the citizens' oversight committee shall be comprised, as follows:

(1) One member shall be active in a business organization representing the business community located within the district.

(2) One member shall be active in a senior citizens' organization.

(3) One member shall be active in a bona fide taxpayers' organization.

(4) For a school district, one member shall be the parent or guardian of a child enrolled in the district. For a community college district, one member shall be a student who is both currently enrolled in the district and active in a community college group, such as student government. The community college student member may, at the discretion of the board, serve up to six months after his or her graduation.

(5) For a school district, one member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. For a community college district, one member shall be active in the support and organization of a community college or the community colleges of the district, such as a member of an advisory council or foundation.

(b) No employee or official of the district shall be appointed to the citizens' oversight committee. No vendor, contractor, or consultant of the district shall be appointed to the citizens' oversight committee. Members of the citizens' oversight committee shall, pursuant to Sections 35233 and 72533, abide by the prohibitions contained in Article 4 (commencing with Section 1090) and Article 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code.

APPENDIX C

**DISTRICT STATUS
REGARDING FINDINGS AND RECOMMENDATIONS
IDENTIFIED IN THE MEASURE Y
PERFORMANCE AUDITS**

**TOTAL SCHOOL SOLUTIONS
4751 MANGELS BOULEVARD
FAIRFIELD, CA 94534**

**DISTRICT STATUS REGARDING FINDINGS AND RECOMMENDATIONS
AS OF NOVEMBER 8, 2007**

This appendix includes two reports that address the district's status regarding findings and recommendations included in the performance audit reports for the fiscal years 2004-05 and 2005-06. Because the status of findings and recommendations for 2003-04 received satisfactory or above ratings, they have been dropped from this report. For information on 2003-04, refer to the audit report for 2004-05. A subjective improvement rating has been applied to the status of each finding/recommendation, as summarized below. While subjective, the ratings are considered to be a reasonable estimate of improvements in the district's facilities program and may be relied upon as such.

<u>Improvement Rating</u>	<u>2004-05</u>	<u>2005-06</u>
Minimal		
Some		
Satisfactory	1 (Board Policies)	1 (Board Policies)
Significant	1 (Communication)	
Substantial	2 (Change Orders, Payment Procedures)	2 (Change Orders, Payment Procedures)
Full Resolution	1 (Bidding and Procurement)	1 (Bidding and Procurement)
Overall Rating	Substantial Compliance	Substantial Compliance

**PLACENTIA-YORBA LINDA UNIFIED
SCHOOL DISTRICT**

MEASURE Y

**PERFORMANCE AUDIT
PERIOD ENDED JUNE 30, 2005**

**DISTRICT STATUS REGARDING
FINDINGS AND RECOMMENDATIONS**

AS OF NOVEMBER 7, 2007

**TOTAL SCHOOL SOLUTIONS
4751 MANGELS BOULEVARD
FAIRFIELD, CA 94534**

CHANGE ORDERS, CLAIM PROCEDURES AND RESULTS

Finding

- While the District has good plans and tracking records, it was found through random sampling that not all change order tracking and back-up documents were consistently filed in the project files. It is possible that the missing documentation may have been stored at other locations. To make the records retrievable, these records should be filed with the rest of the project file documents.

Recommendation

- The project files are the archive files of the District. More time should be devoted to organizing these files to ensure consistency.

District Status

- The District has substantially complied with the recommendation. As noted in the District response in the June 30, 2005, performance audit report, "Additional steps are being taken to ensure that close-out documents are being complied and archived in a consistent and accessible system." In the June 30, 2006 performance audit report, the District was commended for "converting site plans into electronic files. The process is well-organized and comprehensive. Such means of archival will gain future accessibility and accuracy of records..." In the June 30, 2007 performance audit report, it was stated that "District conversion of site plans into electronic files is going well. The process is well-organized and comprehensive."

**COMPLIANCE WITH DISTRICT POLICIES AND ADMINISTRATIVE
REGULATIONS**

Recommendation

- It is recommended that the District utilize model policy and regulation documents developed by the California School Board Association (CSBA), the Association of California School Administrators (ACSA), the California Association of School Business Officials (CASBO) or policies and regulations developed by other school districts to develop and update facilities program policies and regulations. In developing District policies and regulations, emphasis should be placed on local District conditions and needs.

District Status

- The District has made satisfactory progress in complying with the recommendation. In June 30, 2006, performance audit report, the District reports that "staff continues to engage in a review of District Policies and Guidelines that impact or define work on the Bond Program." Policy sections are taken to the Board as updates occur.
- In response to the June 30, 2007 performance audit report, the District commented:

The Placentia-Yorba Linda Unified School District has been working on updating board policies including those of Facilities and Planning. This process has taken longer than anticipated. The board policy revisions for Facilities and Planning are scheduled to be presented to the Board of Education within the next year.

PAYMENT PROCEDURES

Findings

- The audit found continuing use of confirming purchase orders.
- The timeliness of payments has continued to improve. However, payments are sometimes delayed due to incomplete documentation by the project managers.

Recommendations

- It is recommended that the District make an effort to avoid the use of confirming purchase orders. Complete elimination of confirming purchase orders may not be possible due to unforeseen, emergency conditions however, their use discourages competitive bidding. Whenever possible, a purchase order should be processed and issued prior to the performance of work. Open purchase orders might be utilized for certain vendors with frequent business with the District. A Request for Proposal (RFP) of most frequently used supplies can be solicited to determine the lowest responsive vendor. However, detailed backup information and consistent approval processes must accompany invoices to avoid duplicate payments.
- It is recommended that the completeness of payment applications be more extensively reviewed. Applications should contain accurate information, calculations, board approved change orders, and as necessary, budget adjustments so that delays in the payment process are avoided. Delayed payment to vendors impacts the pricing for future bids.
- Monthly reconciliation meetings between the Purchasing, Accounting and Facilities Departments should continue, ensuring that all parties can resolve payment issues. Items discussed should include completeness of documentation and information as well as current stop notices and Board approval of change orders.

District Status

- The District has made substantial progress in complying with the recommendations. In the June 30, 2007 performance audit report, the District initiated a process of submitting copies of construction contracts and documentation to the County as contracts are awarded.

BIDDING AND PROCUREMENT PROCEDURES

Finding

- On March 9, 2004, as authorized by Government Code 4217, the Board passed a resolution to award energy retrofit services contract based on a design build agreement in an assumption of future energy savings over a 15 year period. This staff is commended for its proactive approach, but it did not include an initial request for proposal from other energy service providers. This step could have yielded additional benefits for the District. It is important that staff design a process by which savings can be tracked and compared to ensure that the vendor guaranteed amount is reached.

Recommendations

- While staff and consultants continue to refine the bidding and solicitation for proposal processes, it is beneficial for staff to secure competitive bids whenever possible. The negotiation of the energy services agreement with Siemens may have resulted in better value if other proposals were evaluated. A long term plan such as this can easily be overlooked with staff turnover, unless procedures are set in place to monitor and track guaranteed savings. This responsibility may be appropriately assigned to the accounting department where invoices are processed.
- It is recommended that the District continue to evaluate piggyback bids, especially for furniture and equipment, to determine if it is in the interest of the District to solicit their own bids. Depending on the volume of business, additional savings may be garnered.

District Status

- The District has fully complied with the recommendations. The District "established a quarterly review process...to evaluate guaranteed cost savings of the Siemens energy program..." In the June 30, 2007, performance audit report, the District was commended for following proper bidding procedures, including advertisement, bid documents, job walks, addenda and bid evaluation.

**EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM AND
COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS
WITHIN THE BOND PROGRAM**

Recommendation

- While it may be extremely difficult to achieve complete satisfaction with the bond program, increased communication will likely improve the overall opinion of the program. It is recommended that the District explore additional methods of transmitting information among the administrative offices, bond oversight committee, and community members.

District Status

- The District has made significant progress in its community-wide information program. In the June 30, 2007 performance audit report, the significant effort to keep the community informed was documented.

**PLACENTIA-YORBA LINDA UNIFIED
SCHOOL DISTRICT**

MEASURE Y

**PERFORMANCE AUDIT
PERIOD ENDED JUNE 30, 2006**

**DISTRICT STATUS REGARDING
FINDINGS AND RECOMMENDATIONS**

AS OF NOVEMBER 8, 2007

**TOTAL SCHOOL SOLUTIONS
4751 MANGELS BOULEVARD
FAIRFIELD, CA 94534**

CHANGE ORDER AND CLAIM PROCEDURES

Findings

- Bid Form for Bid # 206-1 Travis Ranch Elementary School and Bid # 206-7 Valencia High Schools did not have the DSA stamp signifying that the drawings were approved prior to the bidding process.
- The playground at Travis Ranch was added as a change order rather than being bid separately. Cost for work added as a change order tends to be higher due to a lack of a competitive process.

Recommendation

- To minimize change orders, the bid documents should be DSA stamped and approved prior to bid. Major scope of work are better bid than added as change orders

District Response

- The district concurs with the recommendation. The Facilities and Planning Department, as a matter of standard operating procedure, recognizes the impact of DSA-approved plans on the bid process and on minimizing change order impacts. Whenever possible, the Facilities and Planning Department bids projects with DSA-approved plans. In addition the District concurs with minimizing major added scope of work changes during construction to avoid the added cost of change order premiums.

District Status

- The District has substantially complied with the recommendation. In the June 30, 2007 performance audit report, it was stated that "District conversion of site plans into electronic files is going well. The process is well-organized and comprehensive."

**COMPLIANCE WITH DISTRICT POLICIES
AND ADMINISTRATIVE REGULATIONS**

Recommendation

- It is recommended that the District utilize model policy and regulation documents developed by the California School Board Association (CSBA), the Association of California School Administrators (ACSA), the California Association of School Business Officials (CASBO) or policies and regulations developed by other school districts to develop and update facilities program policies and regulations. In developing District policies and regulations, emphasis should be placed on local District conditions and needs.

District Response

- The PYLUSD has recently embarked on a review of all school board policies including those pertaining to Facilities and Planning. An evaluation and comparison of current PYLUSD school board policies to CSBA sample policies will be completed. Recommendations for additions, deletions, and modifications to district Board policies relative to Facilities and Planning will be presented for PYLUSD Board of Education consideration by June of 2007.

District Status

- The District has made satisfactory progress in complying with the recommendation. In June 30, 2006, performance audit report, the District reports that "staff continues to engage in a review of District Policies and Guidelines that impact or define work on the Bond Program." Policy sections are taken to the Board as updates occur.
- In response to the June 30, 2007 performance audit report, the District commented:

The Placentia-Yorba Linda Unified School District has been working on updating board policies including those of Facilities and Planning. This process has taken longer than anticipated. The board policy revisions for Facilities and Planning are scheduled to be presented to the Board of Education within the next year.

PAYMENT PROCEDURES

Observation

- Within the sample of seventeen payments, three payments were paid after the thirty day timeframe. The exact causes for the delays could not be determined. However, it appears the invoices were delayed prior to getting to the Accounts Payable Department. Staff reported that sometimes the information received from the project managers or contractors is incomplete or inaccurate which causes the payment request to be returned or delayed.

Recommendation

- It is recommended that staff inform the project managers and contractors that the required information in the payment applications should be accurate and complete. By doing so, delays in the payment process could be avoided.

District Response

- The District concurs and is in compliance with this recommendation. Contractors are given the standardized payment application forms during pre-construction meetings and are routinely informed at construction progress meetings regarding the necessity of complying with department standards for payment information. In addition contractors are informed at construction progress meetings that inaccurate and incomplete accounting will delay the processing of payments.

District Status

- The District has made substantial progress in complying with the recommendations. In the June 30, 2007 performance audit report, the District initiated a process of submitting copies of construction contracts and documentation to the County as contracts are awarded.

BIDDING AND PROCUREMENT PROCEDURES

Finding

- The addenda reviewed during this audit indicated significant scope of work being identified through addenda. For example, the lead paint inspection report for Topaz Elementary School was issued as an addendum. Use of addenda signals to the prospective bidders the status of readiness of the project documents. If a bid has too many significant changes by addenda, bidders tend to bid higher prices to cover other perceived incomplete information.

Recommendation

- It is recommended that the use of addenda in the bidding process be minimized when possible.

District Response

- The District concurs with this recommendation. Facilities and Planning has informed the project managers of the need to minimize addenda during the bid process.

District Status

- The District has fully complied with the recommendations. The District "established a quarterly review process...to evaluate guaranteed cost savings of the Siemens energy program..." In the June 30, 2007, performance audit report, the District was commended for following proper bidding procedures, including advertisement, bid documents, job walks, addenda and bid evaluation.