

# Placentia-Yorba Linda Unified School District

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Superintendent

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September 22, 2015

The Honorable Glenda Sanders  
Presiding Judge  
Orange County Superior Court  
700 Civic Center Drive West  
Santa Ana, CA 92701

Re: Placentia-Yorba Linda Unified School District's Response to 2014-2015 Grand Jury Report, "Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation"

Dear Judge Sanders:

In accordance with California Penal Code section 933 and 933.05, this correspondence serves as the response of the Placentia-Yorba Linda Unified School District ("District") to the 2014-2015 Grand Jury Report, "Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation" ("Report"). Specifically, this correspondence responds to Findings F.1, F.2 and F.3 as well as Recommendations R.1 and R.2 of the Report.

**F.1. There is a lack of transparency to homeowners relative to how CFD funds are being used.**

**Response:** The District disagrees wholly with this finding. As a public entity, actions of the District occur at open, publicly noticed Board meetings, which all community members are welcome to attend. Specifically, the audit of CFD expenditures are included in the District's annual audit and reviewed at an open, publicly noticed Board meeting each year. The annual audit of the District is conducted by an independent public accounting firm. District records, unless non-disclosable, are available for public review.

**F.2. There does not seem to be appropriate oversight and auditing of CFDs and special tax expenditures within the County of Orange.**

**Response:** The District disagrees wholly with this finding as it relates to the District. The District is not in a position to comment on the oversight and auditing of other entities within the County. As noted above, as a public entity, actions of the District occur at open, publicly noticed Board meetings, which all community members are welcome to attend. Expenditure of the CFD funds is audited and such audits are available for public review. Additionally, the District specifically retains consultants and designates District employees to maintain strong internal audit controls over the CFDs and special tax expenditures. Such oversight and auditing is in compliance with the law and appropriate.

**F.3. While the assumption is that the CFD debt would be repaid in a finite period of time, there is a mechanism available to controlling entities to extend debt obligations and thereby extend the CFD special tax in perpetuity.**

**Response:** The District disagrees wholly with this finding. The special tax by its terms, has a termination date, per California Government Code section 53321(d). The termination date cannot be extended without a vote of the electorate. Issuing bonds does not extend the term of the special tax.

**R.1. Each local agency that established the CFD should create an oversight committee and an audit committee to provide for an independent, transparent view of the manner in which CFD funds are being expended. (F.1, F.2)**

**Response:** The recommendation will not be implemented because it is not warranted or reasonable for the reasons discussed below. As noted above, the District specifically retains consultants and designates District employees to maintain strong internal audit controls over the CFDs and special tax expenditures. Expenditures of CFD funds are audited annually and such audit is approved at an open, publicly noticed Board meeting each year. Each Board meeting allows for public comment, during which community members are welcome to voice their opinions and concerns to the Board. District records, unless non-disclosable, are available for public review. Thus, there is already ample opportunity for the public to review any and all CFD fund expenditures, to the same extent any committee could review such expenditures.

**R.2. Audit report information, as delineated in California Government Code, 1982 § 53343.1, should be made available to the CFD taxpayers on a website after each fiscal year for each CFD number. (F.1, F.2)**

**Response:** The recommendation has been implemented. The Placentia-Yorba Linda Unified School District Annual Financial Report dated June 30, 2014 is currently available on the District's website at: [http://www.pylusd.org/apps/pages/index.jsp?uREC\\_ID=184895&type=d&pREC\\_ID=461942](http://www.pylusd.org/apps/pages/index.jsp?uREC_ID=184895&type=d&pREC_ID=461942). Additionally, 2014-2015 interim reports, as well as other budget information and documentation are available at the same link.

The District thanks the Grand Jury for its service and recommendations. Please contact the undersigned at (714) 985-8434 with any questions.

Respectfully submitted,



Doug Domene, Ed.D.  
Superintendent

cc: Orange County Grand Jury  
Placentia-Yorba Linda Unified School District Board of Education