



SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT

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Board of Education

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Superintendent

September 23, 2015

Glenda Sanders, Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Re: Response to Findings and Recommendations to the Mello-Roos: Perpetual Debt Accumulation and Tax Assessment Obligation

The Saddleback Valley Unified School District responses to the Orange County Grand Jury report are as follows:

F1 There is a lack of transparency to homeowners relative to how CFD funds are being used.

The SVUSD partially disagrees with this finding. Each July the board adopts resolutions with the breakdown of individual levies and associated budgets for each CFD. The construction funds for school facilities have been spent and only debt service payments and administrative costs including annual audits, financial advisors and bank fees remain. To improve transparency, the district will post each year's annual reports on the district website. The 2014-15 report is currently posted.

F2 There does not seem to be appropriate oversight and auditing of CFDs and special tax expenditures within the County of Orange

The district wholly disagrees with this finding. The CFDs are part of the SVUSD annual audit and included in the audited financial statements. The district contracts with financial advisors who prepare the financial administrative services including tax levy calculations, disclosures, and arbitrage reports.

F3 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.

The district wholly disagrees with this statement. Once the debt service for each CFD has been met the CFD taxes cease.

R1 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.

The recommendation will not be implemented because it is not reasonable since the district has experienced financial advisors and independent auditors who review the financials.

R2 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.

The recommendation has been implemented.

Respectfully,



Geri Partida, Assistant Superintendent, Business Services

C: Orange County Grand Jury