

Kern County Superintendent of Schools

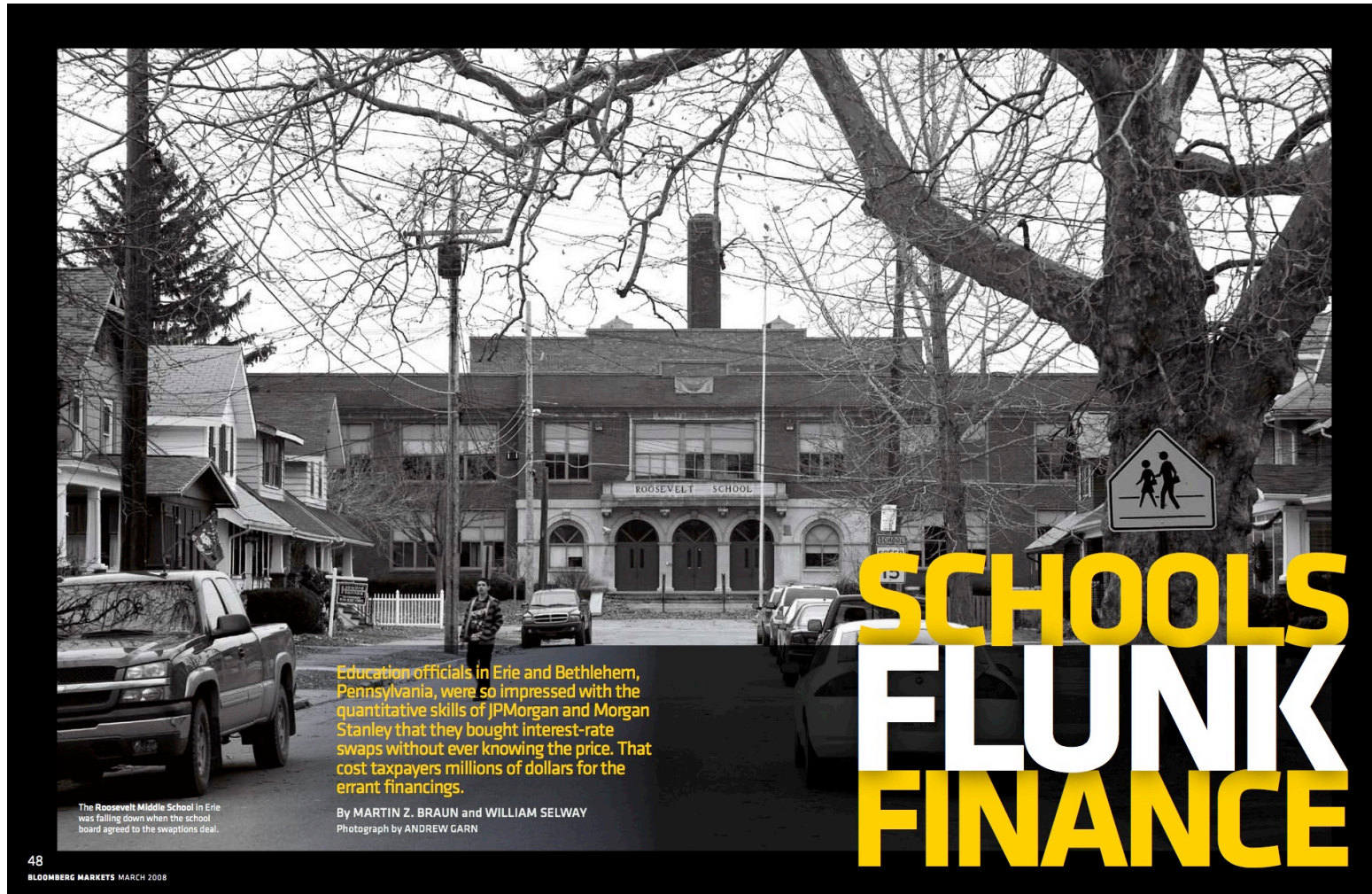


Ripped from the Headlines



Presented by Lori Raineri
November 9, 2015

It's a National and Longstanding Challenge



Why is the SEC Interested in iPads?

SEC launches informal inquiry into LAUSD's use of bonds for iPads - LA Times

SEC launches informal inquiry into LAUSD's use of bonds for iPads

By **HOWARD BLUME**

APRIL 17, 2015, 3:00 AM

4/17/15, 8:57 AM

The federal Securities and Exchange Commission recently opened an informal inquiry into whether Los Angeles school officials complied with legal guidelines in the use of bond funds for the now-abandoned \$1.3-billion iPads-for-all project, according to documents provided to The Times.

District officials said they were optimistic that they had addressed the SEC concerns. The news of the SEC inquiry came the same week that L.A. Unified School District properly disclosed to investors and others how the bonds would be used, according to documents provided to The Times.

That fall, problems immediately plagued the rollout of devices to campuses, and questions soon arose about whether Apple or Pearson had an unfair advantage in the bidding process. An ongoing criminal investigation by the FBI is looking into that matter. Current and former district officials have denied any wrongdoing.

Apple has not responded to requests for comment. Pearson has consistently defended its actions, including on Thursday, when top executive Michael Barber said that L.A. students would benefit if the district stayed the course with the company's product. The SEC declined to comment and does not, by policy, confirm or deny investigations. L.A. Unified acknowledged meeting with an agency attorney. The federal agency is charged with protecting investors and maintaining fair, orderly and efficient markets. Its enforcement division frequently looks into "misrepresentation or omission of important information about securities," according to the commission.

<http://www.latimes.com/local/education/la-me-lauid-ipads-inquiry-20150417-story.html>

Taxes too High for School Districts?

Ticking Time Bonds: San Diego Homeowners Face Big School District Tax Bills | KPBS

11/8/15, 8:54 PM



Ticking Time Bonds: San Diego Homeowners Face Big School District Tax Bills

Monday, March 16, 2015
By Leo Castaneda / [inewssource](#)

Credit: inewssource
Pictured is a map of San Diego County. [Click here to view a map of bond taxes in your district.](#)

property values, number of property owners in a district, the size of the bonds and the kind of deal a new and updated schools.

Homeowners throughout San Diego County — including those in some of the poorest districts — are paying hundreds of dollars in property taxes each year to pay for the financing of new and updated schools.

The tax burden can vary wildly, depending on such things as the size of the bonds and the kind of deal a new and updated schools.

For example, an *inewssource* analysis found that a family in the San Ysidro School District last year would have paid about 35 percent more — about \$150 more — in bond taxes compared with a family in the Cardiff School District, an upscale beach community where houses are worth twice as much.

Related: Today's Debt Is Tomorrow's Burden In Some School Districts

The median home value — that means half are higher and half are lower — in San Ysidro is \$326,100. That means a median tax of \$568 is needed to pay for about \$329 million of bonds on the elementary and high school districts. In Cardiff, the median home value is \$736,600 with a median bond tax bill of \$420.

The median amount San Ysidro residents pay in bond taxes is second only to the Rancho Santa Fe School District, where the median house costs \$1 million.

Bonds are generally one of the least risky ways for school districts to raise a lot of money. Every year districts pay back some of the debt using money from those bond taxes. As long as property values keep going up, districts can easily keep up with growing debt payments.

However, those safe bonds can become expensive when property values can't keep up with the revenue estimates calculated at the time the district issued the bonds.

Unintended Consequences

In 2000, California voters passed Proposition 39 to make it easier for school districts to pass bond measures. Instead of needing a two-thirds voter approval, districts now just need 55 percent.

<http://www.kpbs.org/news/2015/mar/16/ticking-time-bonds-homeowners-face-varying-tax-bill>

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Where There's Smoke There's Fire

EDUCATION OCTOBER 17, 2015

From bond measure to federal probe: How Fresno Unified caught the eye of investigators

HIGHLIGHTS

FUSD says its use of contract is no different from many districts

Critics say exception to the bidding law allows for manipulation

School districts across the state watching Fresno case



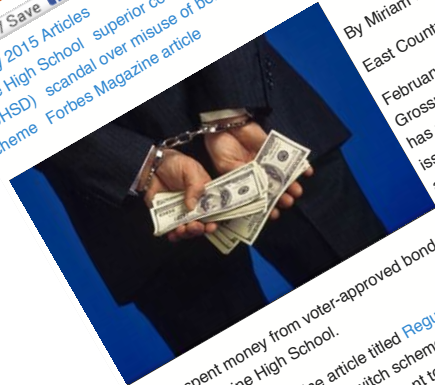
<http://www.fresnobee.com/news/local/education/article39545949.html>

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Headlines Can Inflame

SHOULD CRIMINAL CHARGES BE FILED AGAINST THE GUHSD?

February 2015 Articles
Alpine High School scandal over misuse of bond funds
(GUHSD) Forbes Magazine article



superior court judge District Attorney Bonnie Dumanis Grossmont Union High School District
bond investors Marilyn Cohen classic bait and switch

By Miriam Raftery, Editor
East County Magazine

February 10, 2015 (San Diego's East County) --The scandal over Grossmont Union High School District's misuse of bond funds has now made national news. Recently a Superior Court Judge issued an [injunction](#) requiring the district to set aside money from a portion of bonds and state funds to build the long-promised Alpine High School, after a Grand Jury previously found that the District spent money from voter-approved bond measures on unauthorized projects, while failing to build the promised Alpine High School.

Now a Forbes magazine article titled [Regulators Way to Easy on Muni Bond Investors](#) is calling the District's actions a "classic bait and switch scheme." Author Marilyn Cohen, one of the nation's top bond managers, asks, "Why aren't the people involved sent to jail?"

Forbes add, "...once they had the money in their hot little hands they thought they could do whatever they wanted with it rather than what they promised the taxpayers who voted for the bond issue." The District's efforts to resolve its financial woes in court means that "only the lawyers win, not the taxpayers," Forbes continues. "Consider the audacity of Grossmont in issuing another \$60 million in bonds over the next few months." Bond investors should not trust the word of districts like Grossmont that mislead voters, Forbes concludes.

East County Magazine has asked District Attorney Bonnie Dumanis if her office is investigating the Grossmont district, but thus far we have not received confirmation on whether or not any criminal investigation is underway. Dumanis previously launched a criminal probe against members of the Sweetwater Union School District's Board that resulted in two convictions of trustees on corruption charges for accepting gifts over state limits.

Political analysts may note that the key difference between the two districts is that Dumanis, a Republican, was willing to prosecute Democrats on the Sweetwater board but has thus far seemed unwilling to investigate or

<http://www.eastcountymagazine.org/print/17701>

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A Pulitzer Prize

Daily Breeze wins Pulitzer Prize for Centinela Valley school investigation

11/8/15, 9:43 PM

Daily Breeze wins Pulitzer Prize for Centinela Valley school investigation

By Susan Abram , Los Angeles Daily News

DailyBreeze.com



Robert Casillas — Staff Photographer

The Daily Breeze on Monday won the Pulitzer Prize for local reporting for an investigative project into the Centinela Valley Union High School District, which exposed former Superintendent Jose Fernandez's excessive salary and unusual perks as well as other serious issues within the district and its leadership.

- **VIDEO:** Michael Anastasi, vice president and executive editor of the Los Angeles News Group, celebrates Daily Breeze's Pulitzer win

Journalism's highest prize was given to Rob Kuznia, Rebecca Kimitch and city editor Frank Suraci of the Torrance-based Daily Breeze for their inquiry into widespread corruption in a small, cash-strapped school district. The Pulitzer announcement also credited impressive use of the paper's website.

- **VIDEO:** See the announcement of the Daily Breeze's Pulitzer Prize win

The Daily Breeze, one of nine daily newspapers of the Los Angeles News Group, also won the Scripps Howard National Journalism Award for community journalism, as well as the prestigious National Headliner Award for Investigative Reporting.

- **THE INVESTIGATION:** Read all of the Daily Breeze's Pulitzer Prize-winning stories in the Centinela investigation

This is the first Pulitzer Prize for the Los Angeles News Group.

"Local news reporting is the very essence of the Daily Breeze and the entire Los Angeles News Group. It's what we are determined to do better than anyone else," said Michael Anastasi, vice president and executive editor of the Los Angeles News Group. "Today's recognition is a testament especially to those honored today, to the entire staff of the Daily Breeze but also to the entire team because there were a lot of other journalists behind this success."

Anastasi told a celebratory newsroom in Torrance that the Pulitzer win "speaks to the importance of our fundamental mission, which is covering local news. We are extraordinarily important to the communities that we serve."

Ron Hasse, publisher and president of the Los Angeles News Group, told the Torrance gathering:

about:blank

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Municipal Bond Investors Concerned

Regulators Way Too Easy On Muni Bond Fraudsters - Forbes

Forbes

Intelligent Investing
Ideas From Forbes Investor Team
Content expressed by Forbes Contributors are their own.

http://onforbes.com/1KhXSKo

11/8/15, 9:17 PM

INVESTING 2/9/2015 @ 8:42AM 1,690 Views

Regulators Way Too Easy On Muni Bond Fraudsters

Marilyn Cohen, Contributor

In business, when an employee diverts money it is a crime. When they attempt to make things seem other than they are—cooking the books—it is a crime. So why are municipal bond regulators lax in initiating punitive actions against municipalities for diverting funds and cooking the books? Whether it's a state misleading investors, or a municipality whose officials divert funds, a rap on the knuckles only hurts investors and taxpayers, not those perpetrating the crime.

An example of such light punishment occurred in Harvey, Ill. where its comptroller—Joe Letke—was alleged to have diverted millions in bond proceeds to other projects and to his own pocket. His punishment was merely to pay a fine that appears to be a fraction of what he stole and be barred from ever participating in a municipal bond offering again.

For their role in this fraud, the city of Harvey agreed to stop violating federal securities law and to hire a different consultant other than the one who was caught with his hand in the cookie jar. Oh, and the city was allowed to neither admit nor deny any wrongdoing.

Municipal bond fraud seems to be on the rise. In the recent past the SEC slapped a civil fraud on the State of Illinois for lack of disclosure on its public pensions. New Jersey was charged with

<http://www.forbes.com/sites/investor/2015/02/05/regulators-way-too-easy-on-muni-bond-fraudsters/print/>

It's Just an Expense for Wall Street

BloombergBusiness SEC Fines Wall Street's Top Banks Over Fraudulent Muni Deals

Brian Chappatta and Kate Smith
June 18, 2015 — 9:35 AM PDT Updated on June 18, 2015 — 1:07 PM PDT The U.S. Securities and Exchange Commission alleged that 36 underwriters, including Wall Street's biggest banks, sold bonds for municipalities that failed to make adequate financial disclosures to investors.

Bank of America Corp.'s Merrill Lynch unit, Citigroup Inc., Goldman Sachs Group Inc., JPMorgan Chase & Co. and Morgan Stanley settled with the SEC and will each pay \$500,000, according to a statement released Thursday. The SEC said they were negligent because the offering documents for deals they sold contained false information or material omissions about borrowers' compliance with the law.

The \$9.3 million of penalties are the first against underwriters to result from an offer of leniency the agency extended to banks and localities that self-reported running afoul of securities rules. It's part of a years-long push to crack down on borrowers in the \$3.6 trillion municipal-bond market that fail to provide key information to investors.

The initiative "has already resulted in significant improvements to the municipal securities market, including heightened awareness of issuers' disclosure obligations," SEC Chair Mary Jo White said in the statement. It "will continue to bring lasting changes to the municipal securities markets for the benefit of investors."

Enforcement Ability

The SEC stepped up its municipal-market enforcement in 2010, after officials bemoaned lax disclosure as states and cities were reeling from the recession. It established a unit to police such fraud five years ago.

Unlike with corporations, the SEC doesn't have direct authority to force states and cities to file updated financial statements and other documents because of exemptions that have been in place since the 1970s. It enforces the rules indirectly through its power over underwriters, requiring them to receive agreements from

<http://www.bloomberg.com/news/articles/2015-06-18/sec-settles-with-36-firms-over-fraudulent-municipal-bond-sales>

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Rotary Four Way Test

- ◆ Of the things we think, say or do:
 - ▶ Is it the Truth?
 - ▶ Is it Fair to all concerned?
 - ▶ Will it build Goodwill and Better Friendships?
 - ▶ Will it be Beneficial to all concerned?

- ✓ *Created by Rotarian Herbert J. Taylor in 1932 when he took the helm of a company facing bankruptcy in order to help guide his employees. The 4 Way Test was adopted by Rotary in 1943.*