

Bond Case Briefs

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SEC Reaches Settlements with Sweetwater Union District, Ex-CFO for Filing False Reports.

CHULA VISTA, Calif. (CNS) - The Securities and Exchange Commission announced Thursday that it has entered into a settlement agreement with the Sweetwater Union High School District and its former Chief Financial Officer to resolve allegations that the district misled investors who purchased \$28 million in municipal bonds.

The SEC alleged that in 2018, the school district and former CFO Karen Michel gave investors misleading budget projections indicating it would end the fiscal year with a general fund balance of around \$19.5 million when it was actually on track for a negative \$7.2 million ending fund balance.

The agency said that despite contradictory internal reports, the district and Michel included the projections in its offering documents and presented them to a credit rating agency. Michel also signed "multiple certifications falsely attesting to the accuracy and completeness of the information included in the offering documents," the SEC said.

While neither settlement includes admissions or denials of the SEC's allegations, Michel agreed to settle with the SEC and pay a \$28,000 penalty, while the district entered into an SEC order that requires it to retain an independent consultant to evaluate and make recommendations to its procedures regarding its municipal securities disclosures.

When reached for comment, the school district said in a statement, "The district looks forward to implementing the improvements and changes outlined in the SEC's order. It will continue to take steps to ensure it provides accurate disclosures and information to the public."

The district's statement also said the settlement "represents another positive step in the district's ongoing remedial efforts to continuously evaluate and improve its fiscal health."

LeeAnn G. Gaunt, chief of the SEC's Public Finance Abuse Unit, said, "As the order finds, Sweetwater and Michel presented stale and misleading financial information as current and accurate. The SEC will continue to address deceptive conduct that prevents municipal bond investors from getting an accurate picture of the financial risks of their investments."

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