

September 3, 2015

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

Re: Fullerton School District's Response to 2014-15 Orange County Grand Jury Report, "Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency"

To the Honorable Glenda Sanders:

In accordance with California Penal Code section 933.05, the Orange County Grand Jury has requested that the Fullerton School District responds to Findings 4, 5, and 6, and Recommendations 3 and 4 in the 2014-15 Orange County Grand Jury Report entitled, "Joint Powers Authorities: Issues of Viability, Control, Transparency, and Solvency."

Finding 4: Vertical Joint Powers Authorities with a single controlling entity, such as a city council, have the potential to use this organizational structure as a shell company to avoid other legal constraints on the controlling entity and to obfuscate taxpayer visibility.

Response to Finding 4: The Fullerton School District disagrees completely with this finding. This finding does not apply to the Fullerton School District.

Finding 5: Vertical Joint Authorities in which the controlling entity transfers assets from itself to a Joint Powers Authority for the purpose of obtaining additional funding, or signs a long-term lease to a Joint Powers Authority to obtain assets, are avoiding transparency and are not acting in the best interest of the taxpayers.

Response to Finding 5: The Fullerton School District disagrees completely with this finding. This finding does not apply to the Fullerton School District.

Finding 6: 32 of the Joint Powers Authorities identified in Orange County are not complying with the California State reporting requirements in code Section 6500 and SB 282 according to the latest information available from the year 2013.

Response to Finding 6: The Fullerton School District disagrees completely with this finding. The Fullerton School District complies with California State reporting requirements.

Recommendation 3: All Joint Powers Authorities should take the following actions to insure transparency to the taxpayers: (1) have an annual outside audit, (2) post the complete audit on their city website as a separate Joint Powers Authority entity, (3) send the audit to the County Controller and the State Auditor, and (4) ensure the required reports are filed annually to the County and the State.

Response to Recommendation 3: The Fullerton School District conducts an annual outside audit of the school district which includes in the notes a discussion of the Fullerton School District Financing Authority. The Fullerton School District has posted the complete audit of the school district on their website, has sent the audit to the State Controller, the Superintendent of Public Instruction and the Orange County Department of Education and will continue to do so. Therefore, this recommendation has been implemented.

Recommendation 4: The 32 Joint Powers Authorities that are not complying with the California State Law requiring annual reporting should become compliant by submitting their 2014 report by December 31, 2015, and submitting the required reports annually thereafter.

Response to Recommendation 4: The Fullerton School District complies with California law and submits the required reports annually and will continue to do so. Therefore, this recommendation has been implemented.

If you have any further questions or need additional information, please contact Susan Cross Hume at (714) 447-7412.

Sincerely,



Susan Cross Hume
Assistant Superintendent, Business Services
Fullerton School District

cc: Orange County Grand Jury
700 Civic Center Drive West
Santa Ana, CA 92701

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