

SPECIAL DISTRICTS COMMITTEE



RICHARD McCREEDY
CHAIRPERSON



MIKE ELLIOTT



JOHNNY OTERO

MISSION STATEMENT

According to Penal Code §925(a), the Special Districts Committee is responsible for overseeing the ethics, management and use of taxpayer funds. There are over 150 Special Districts in the County of Kern. The Committee may investigate complaints submitted by citizens. The Committee may also make recommendations to improve and maximize the efficiency of special districts in the County. This may eliminate waste of taxpayer funds.

SPECIAL DISTRICTS COMMITTEE

Summary of Activities

The 2016-2017 Special Districts Committee has written reports on:

- Frazier Park Utility District
- North Kern Cemetery District
- Bear Mountain Parks and Recreation District
- Quail Valley Water District
- Kern County Water Rate Survey
- Lebec County Water District
- South Fork Mosquito District

The 2016-2017 Special Districts Committee visited:

- Frazier Park City Public Utility Water Distribution Wells
- Frazier Park Public Utility Districts Board Meeting
- North Kern Cemetery District, Delano
- Delano City Police Department
- Bear Mountain Parks and Recreation Board Meeting, Lamont
- North Kern Cemetery Districts Board Meeting, Delano
- Quail Valley Water District Office
- Lebec County Water District
- Kern County Parks-Frazier Park
- Board of Supervisors Monthly Meeting
- Kern County Elections Department
- South Fork Mosquito District

The Committee investigated 9 citizen's complaints

Committee members also accompanied other committees on visits to:

- KCSD Helicopter Operations
- KCSD Bomb Technician Trials
- KCSD K-9 Demonstration
- A. G. Edmundson Water Distribution
- Kern County Home Show
- Ronald McDonald House
- Camp Owens Juvenile Facility
- Tehachapi City Manager and Public Works Directors
- California City, City Manager
- Crossroads at Rosewood High School
- McFarland Female Reentry Community Facility
- McFarland California Correctional Facility
- Central Valley Modified Correctional Facility

BEAR MOUNTAIN RECREATION AND PARKS DISTRICT

PREFACE:

After the November 2016 elections, the new Board is now making positive changes to the Bear Mountain Recreation and Parks District (District). With the help of legal counsel, the Board Policies and By-Laws, and Employee Handbook are being updated as needed. The District is working together to make improvements to the communities of Arvin and Lamont.

PURPOSE OF INQUIRY:

The 2016-2017 Kern County Grand Jury (Grand Jury) Special Districts Committee (Committee) investigated the Bear Mountain Recreation and Parks District pursuant to Penal Code §925.

PROCESS:

The Committee received a Complaint, reviewed the 2012-2013 Grand Jury Report and opened the investigation of the District. Online searches of websites, including Facebook were conducted. The Committee also attended a Regular District Board Meeting on November 17, 2016. Interviews were conducted.

BACKGROUND AND FACTS:

The Bear Mountain Recreation and Parks District was formed in 1956, to provide parks and recreation services for the communities of Arvin and Lamont in southern Kern County. The District owns and maintains Bear Mountain Parkland Weedpatch Park and the David Head Center in Lamont. Recreation services are also offered at both Arvin and Lamont swimming pools. The David Head Center is comprised of a senior center, child care facility, and meeting rooms for community events. The District uses the building to provide programs for children, young adults, and senior citizens. Senior citizens may come to the center to enjoy lunch and other activities. Exercise Zumba classes are also offered at the center. The District is offering Karate classes in Arvin.

- A. The District is a special district with five elected Board Members.
- B. Four Board Members terms expired in November 2016.
- C. State Government Code §§61040 – 61048, Public Resources Code §§5783, 5783.3, and 5783.13 outline the requirements for candidates to run for the board of directors of special districts.

- D. State Government Code §1099, states “a public officer...shall not simultaneously hold two public offices that are incompatible.”
- E. The District holds regular meetings on the third Thursday of each month at the District Office, 10300 San Diego Street, Lamont, California, beginning at 6:30 p.m.
- F. The District uses volunteer coaches for T-ball, coach-pitch, minor, major and junior baseball programs.

FINDINGS:

- F1. The District Staff consists of:
 - a. District Manager, position filled
 - b. Office Manager, position vacant
 - c. Office Assistant, position filled
 - d. Maintenance Supervisor, position filled
 - e. Maintenance Worker, position filled
 - f. Custodian, position filled
 - g. Recreation Coordinator, position filled, seasonal
- F2. The District website is not user friendly; more information is found on their Facebook page. As of February 6, 2017, the website is being updated with meeting agendas and minutes. It is now easier to follow and all Board agendas are current.
- F3. The Rental Fee Policy used for District facilities is found on the District website. Exceptions to the fees are granted by the Board, on a case by case basis.
- F4. Information from the District is provided in both English and Spanish. An interpreter is present at Regular District Board Meetings and special events.
- F5. Seven candidates were vying for the four open board positions; four for full term and three for short term positions. A new Board Member was seated on the Board in December 2016.
- F6. One incumbent District Board Member was also a candidate for the Arvin Union School District Board, but was not elected to that board.
- F7. Residency of elected or appointed Board Members has been a subject of concern since 2012.
- F8. The 2016-2017 Budget has Total Revenues of \$650,700; Total Expenditures of \$631,449.

- F9. The District has not received grants (local, State, or Federal). The District is considering contracting for a grant writer.
- F10. In January 2017, four Board Members completed leadership, ethics, and Ralph M. Brown Act training. One Board Member is still receiving training.
- F11. A revised Employee Handbook has been adopted by the Board and signed by each employee.
- F12. Day to day accounting and payroll are performed by the District Manager, and reviewed quarterly by an accounting firm.
- F13. The Office Manager receives all funds, issues receipts, and places funds in the safe. The District Manager makes monthly deposits and reconciles the bank accounts.
- F14. Invoices and bills are submitted to the Kern County Auditor/Controller/County Clerk's Office for payment from property tax revenues.
- F15. District improvements under consideration include: solar panels for the pools, reroofing for the David Head Center and surrounding buildings, and annexation of a county park baseball field.
- F16. The Committee attended the November 17, 2016, Regular District Board Meeting and observed the meeting which did not include the Flag Salute.

COMMENTS:

The Grand Jury appreciates the cooperation of the District's Staff for providing information in a timely manner, and for the opportunity to meet. The Grand Jury acknowledges the improvements made in the last few months, and their future plans. The District has a major task in reviewing and updating all Board Policies and By-Laws.

RECOMMENDATIONS:

- R1. Residency should be a consideration when the District Board appoints a replacement member to the Board. (Finding 7)
- R2. Rental fees should be a set policy, so that all renters are treated equally. (Finding 3)

NOTES:

- The Bear Mountain Recreation and Parks District should post a copy of this report where it will be available for public review.
- Persons wishing to receive an email notification of newly released reports may sign up at: www.co.kern.ca.us/grandjury.
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website: www.co.kern.ca.us/grandjury.

RESPONSE REQUIRED WITHIN 90 DAYS:

**PRESIDING JUDGE
KERN COUNTY SUPERIOR COURT
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301**

**CC: FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301**



June 26, 2017

The Honorable Charles Brehmer, Presiding Judge
Kern County Superior Court
Presiding Judge
1415 Truxtun Avenue, Suite 212
Bakersfield, CA 93301

Cc: Kern County Grand Jury, Foreperson
1415 Truxtun Avenue, Suite 600
Bakersfield, CA 93301

Re: Grand Jury Report

Honorable Charles Brehmer,

On behalf of the Bear Mountain Recreation and Parks District (hereinafter "Bear Mountain"), I wish to thank the Kern County Grand Jury for the recent visit. Members of the Special District Committee visited one of our Board of Directors meetings and met with the District's Manager and our District Counsel and asked questions regarding Bear Mountain's administration, programs, events and facilities.

Thereafter the Grand Jury Special District Committee prepared a report containing 16 findings and 2 recommendations. The following shall act as Bear Mountain's responses to the subject report pursuant to *Penal Code* §933.

FINDINGS

- F1.** The District Staff consists of:
- a. District Manager, position filled
 - b. Office Manager, position vacant
 - c. Office Assistant, position filled
 - d. Maintenance Supervisor, position filled
 - e. Maintenance Worker, position filled
 - f. Custodian, position filled

g. Recreation Coordinator, position filled, seasonal

Response: The Respondent disagrees partially with the finding. The Office Manager position is currently filled with an interim manager and the position has been opened for recruitment. The Maintenance Supervisor position is currently filled with an interim manager and the position was opened for recruitment, with interview to begin the week of July 3, 2017.

F2. The District website is not user friendly; more information is found on their Facebook page. As of February 6, 2017, the website is being updated with meeting agendas and minutes. It is now easier to follow and all Board agendas are current.

Response: The Respondent agrees with the finding.

F3. The Rental Fee Policy used for District facilities is found on the District website. Exceptions to the fees are granted by the Board, on a case by case basis.

Response: The Respondent agrees with the finding.

F4. Information from the District is provided in both English and Spanish. An interpreter is present at Regular District Board Meetings and special events.

Response: The Respondent agrees with the finding.

F5. Seven candidates were vying for the four open board positions; four for full term and three for short term positions. A new Board Member was seated on the Board in December 2016.

Response: The Respondent agrees with the finding.

F6. One incumbent District Board Member was also a candidate for the Arvin Union School District Board, but was not elected to that board.

Response: The Respondent agrees with the finding.

F7. Residency of elected or appointed Board Members has been a subject of concern since 2012.

Response: The Respondent agrees with the finding.

F8. The 2016-2017 Budget has Total Revenues of \$650,700; Total Expenditures of \$631,449.

Response: The Respondent agrees with the finding.

F9. The District has not received grants (local, State, or Federal). The District is considering contracting for a grant writer.

Response: The Respondent agrees with the finding.

F10. In January 2017, four Board Members completed leadership, ethics, and Ralph M. Brown Act training. One Board Member is still receiving training.

Response: The Respondent partially disagrees with the finding. All Board Members have received ethics training.

F11. A revised Employee Handbook has been adopted by the Board and signed by each employee.

Response: The Respondent agrees with the finding.

F12. Day to day accounting and payroll are performed by the District Manager, and reviewed quarterly by an accounting firm.

Response: The Respondent agrees with the finding.

F13. The Office Manager received all funds, issues receipts, and places funds in the safe. The District Manager makes monthly deposits and reconciles the bank accounts.

Response: The Respondent agrees with the finding.

F14. Invoices and bills are submitted to the Kern County Auditor/Controller/County Clerk's Office for payment from property tax revenues.

Response: The Respondent agrees with the finding.

F15. District improvements under consideration include: solar panels for the pools, reroofing for the David Head Center and surrounding buildings, and annexation of a county park baseball field.

Response: The Respondent agrees with the finding.

F16. The Committee attended the November 17, 2016, Regular District Board Meeting and observed the meeting which did not include the Flag Salute.

Response: The Respondent agrees with the finding.

RECOMMENDATIONS

R1. Residency should be a consideration when the District Board appoints a replacement member to the Board.

Response: The recommendation has been implemented by the Board. The Board will ensure that any vacancy on the Board is filled with an appointment of a natural person who resides within the District's Boundaries.

R2. Rental fees should be a set policy, so that all renters are treated equally.

Response: The recommendation has not yet been implemented, but will be implemented in the future. The Board's finance committee has met to discuss the rental fees, and the District's counsel is currently drafting a new rental policy, which will be presented to the Board during the July or August Regular Board Meeting for review. It is anticipated that the new rental policy will be approved by the Board before the end of 2017.

Very truly yours,



Fredi Castrejon
Chairman

Bear Mountain Recreation and Parks District
10300 San Diego Street
Lamont, CA 93241

FRAZIER PARK PUBLIC UTILITY DISTRICT

Like a Good Neighbor... Frazier Park is there

SUMMARY:

The Frazier Park Public Utility District (FPPUD) has been asked to rescue a neighbor to the west because the Lake of the Woods Mutual Water Company (LOWMWC) is running out of potable water for their community. The State of California (State) has been trucking water to the Lake of the Woods residents for a couple of years. At the request of the State, along with a State grant, the FPPUD is studying the feasibility of annexing LOWMWC into a regional water entity.

The citizens of Frazier Park have voiced concerns regarding the annexation of LOWMWC, especially since Well #6 became operational, which coincided with the local pond drying up. This pond has been part of the Frazier Park community for many generations.

The FPPUD is a well-managed water district with residential and commercial metered connections, while LOWMWC has non-metered water connections. Due to the drought, LOWMWC is unable to service the water needs to their residents. The annexation process may prove to be difficult due to competing concerns between these two districts; does FPPUD have a sustainable water supply for itself, and will it be able to meet the demand of its neighbor?

PURPOSE OF INQUIRY:

The 2016-2017 Kern County Grand Jury (Grand Jury) Special Districts Committee (Committee) conducted an investigation of the FPPUD pursuant to Penal Code §§925 and 933.5.

PROCESS:

The Committee received a complaint concerning the operation of FPPUD and reviewed the prior 2011-2012 Grand Jury Report. Research included internet searches and reading several newspapers articles about the water situation in Frazier Park and Lake of the Woods. The Committee conducted interviews and visited the FPPUD District Office and facilities. Visiting the area and the Kern County Park pond in Frazier Park gave the Committee a better understanding of the water concerns in the Lower Cuddy Valley. A review of the minutes and agendas from FPPUD board meetings for the past six months, the manager's monthly reports, the financial reports for 2013, 2014, and 2015, and the "Lower Cuddy Creek Water Demand Study" was conducted. An interview with the consulting civil engineer working for FPPUD and LOWMWC provided detailed information about the water sustainability in the area. The Committee attended the October Regular District Board Meeting.

The Mountain Enterprise, a local newspaper, also provided current information and opinions of many local residents concerning water issues in the Lower Cuddy Valley.

BACKGROUND and FACTS:

The Frazier Park Public Utility District is a special district established on February 20, 1939, when it seceded from the Frazier Mountain Water Company. The FPPUD was established by the Public Utility District Act Statutes of 1921, and is now under authority of Public Utility Code Section 15501, et seq. In 1939, the newly established FPPUD paid \$900 for two natural springs, Pine Canyon and Sam Young, and three parcels intended for use as either wells or water storage tanks. The FPPUD is located in the Lower Cuddy Valley which is in the southernmost portion of Kern County covering Frazier Mountain Park. As a public utility district, FPPUD may provide various services to its residents, but at present only supplies water. The FPPUD is governed by a five member Board of Directors, elected at general district elections, for a term of four years.

The General Manager (GM) oversees a staff including: A Senior Field Operator, two field crews, a Clerk of the Board/Assistant to the General Manager, a front office person, and a temporary file clerk.

A pre-planning report was generated by consulting civil engineers to create a regional water system that will annex the Lake of the Woods into the FPPUD. The State of California is providing a grant to study and complete the annexation process.

- A. The communities of Frazier Park and Lake of the Woods are approximately two miles apart.
- B. Lake of the Woods Mutual Water Company includes:
 - 1. Approximately 900 residents
 - 2. 401 water connections
 - 3. Annual water demand 117 acre-feet
 - 4. Non-metered system [must be metered prior to annexation]
 - 5. Average daily demand is 73 gallons per minute (gpm)
- C. Frazier Park Public Utility District includes:
 - 1. Approximately 2,834 residents
 - 2. 1,300 water connections
 - 3. Annual water demand 360 acre-feet
 - 4. All metered connections
 - 5. Average annual daily demand is 223 gpm
- D. If annexed, the \$8,000 connection fee for LOWMWC will be paid by the State Grant on all existing connections. The property owner will pay for any new connections.

- E. All water in the system is gravity fed to the connections. Pressure varies from 20-30 pounds per square inch (psi) to as high as 130 psi (See Appendix B).
- F. Booster pumps are used to move water up to the storage tanks on an as needed basis.
- G. According to the June 30, 2014 Financial Audit Report for FPPUD:
 - 1. Total non-operating revenue decreased \$364,138 over the course of the year's operations.
 - 2. Total net operating and non-operating revenues decreased \$989,190 over the course of the year's operations. The decrease in 2014 is due primarily to the accounting of the \$1,000,000 United States Department of Agriculture (USDA) grant-loan in 2013.
 - 3. Total expenses increased \$207,089 over the course of the year's operations.
 - 4. Future revenues have been pledged to repay \$1,400,000 in water revenue bonds issued in December 2005, and \$2,100,000 in water revenue bonds issued during May 2011. Proceeds from the sale of bonds provided financing for the improvement and expansion of the current water delivery system. The bonds are payable solely from all revenues through fiscal year ending 2051.
 - 5. Total Assets \$6,939,000
 - 6. Total Water Sales \$615,774 for both residential and commercial
- H. The annual principle and interest loan payment, totaling \$105,000, was paid to the USDA by FPPUD on October 13, 2016.
- I. The FPPUD consists of a five member board. Currently there are four members with one vacancy created by the resignation of a board member. Three incumbent board members applied for re-election and were unopposed; therefore, an election was not held.

FINDINGS:

- F1. The source of water for the FPPUD are three wells identified as: Well #4 and Well #6 located at 4001 Park Drive; Well #5 located at the end of Montana Trail; and two active springs known as Pine Canyon and Sam Young. Continuous chlorination is provided to all water produced from these active sources. The well water supply is drawn from aquifers located in a canyon surrounded by mountains. The springs are located uphill from the community, and secured to prevent possible contamination. The FPPUD has 12 water storage tanks (11 currently used) and booster pumps located throughout the community.

- F2. The FPPUD has been selling water to LOWMWC for approximately a year, to determine if the FPPUD's system can meet the extra demand. Currently water is being trucked to Lake of the Woods from FPPUD.
- F3. The FPPUD's "Lower Cuddy Creek Water Demand Study", covering the communities of Frazier Park and Lake of the Woods to create a regional water entity, produced the following information:
- a. Combined total of 1,704 connections; peak hour demand ranges between 1,050 to 2,800 gpm
 - b. For estimation purpose, an additional 300 connections could be added *if the regional entity were to be created*, bringing the total number of connections to 2,004.
 - c. Annual water demand for the regional entity; 561 acre-feet with the additional 300 connections
 - d. Combined maximum monthly average daily demand; 350-933 gpm
 - e. Pumping records for the past six years for FPPUD system indicate that the maximum monthly daily pumping demand is 360 gpm. This was met by drawing water from wells, springs, and from storage tanks.
 - f. The FPPUD has 2.1 million gallons of storage and pumps a maximum of 16.06 million gallons in a given month.
 - g. Consulting civil engineers completed a study to form a regional water entity. This would include new pipelines to Lake of the Woods, additional storage tanks, and booster pumps, at a projected cost of \$16 million.
- F4. Before the annexation process is completed, FPPUD will have to complete a new rate study.
- F5. The FPPUD is working to develop a Sustainable Groundwater Management Authority (SGMA) and the Financial Assistance Application Submittal Tool (FAAST) Planning Grant Application; a Memorandum of Understanding (MOU) with all parties involved will have to be completed.
- F6. In the July 2016 Monthly Manager's Report:
- a. Water pumped - 10,384,200 gallons
 - b. Water sold - 6,454,394 gallons
 - c. With a lag (water loss) - 33.43%
 - d. In June 2015 the lag - 20.34%
 - e. Six year average lag (2009-2014) - approximately 20%
- F7. According to the consulting civil engineer, the difference between water pumped versus water sold is likely a combination of losses due to pipe breaks and metering inconsistencies. Other factors, as stated by the GM, are not accurately measuring water in the storage tanks and the variable nature of the two springs feeding into the water system.

- F8. Monthly bills from FPPUD may be difficult to read and understand by the water users:
- a. Meters are usually read monthly and are recorded to the nearest hundred cubic feet (CCF).
 - b. Bills are calculated and charged in gallons of water used.
 - c. Users must convert from CCF to gallons (one CCF is equal to 748 gallons) to understand their bills.
 - d. The computer will estimate water usage when the meter cannot be read.
- F9. The FPPUD's website is unable to accept online payments.
- F10. The FPPUD's website is not kept up-to-date with current board agendas and approved minutes.
- F11. About two years ago, the FPPUD discovered an illegal tap was used to steal water from a main water line fed by one of the springs.
- F12. The FPPUD is using district staff to complete the process of adding Well #6 to the water system (See Appendix A).
- F13. The FPPUD board voted to increase water rates after the Rural Community Assistance Corporation completed and presented a rate study at the September 2016 board meeting:
- a. New base rate for $\frac{3}{4}$ inch service meter - \$55 a month
 - b. New usage fee - \$2.60 per 1000 gallons
 - c. The rate study will allow FPPUD to seek State funding - \$16-20 million
 - d. The rate study was funded by the State of California
 - e. Under Proposition 218, rate increase hearings are scheduled
- F14. The Committee visited the October 20, 2016, FPPUD Board Meeting and observed the following: no salute to the flag, the meeting ran according to Robert's Rules of Order, and District Policy. Agenda item #3, Public Comments, lasted over one hour due to discussion about the pond and other topics (See Appendix F, as an example).
- F15. The FPPUD board is working on updating the District Bylaws and Regulations, as well as the Board Member Conduct Policy.
- F16. All FPPUD board members have completed the required Ralph M. Brown Act and other leadership training.
- F17. The FPPUD Board will be appointing a new member to fill the vacant seat on the Board of Directors.

- F18. The consulting civil engineer stated that the pond in Frazier Park had several years of low water in the late 1970s and early 1980s due to drought conditions. Today the spring that feeds the pond is almost dry, therefore water inflow is less than outflow and evaporation. Well #4 and Well #6, which are located closest to the pond, draw water from an aquifer that is located about 250 feet deep and has been stable for years. The pond is fed by a spring. A solution to the dry pond is to line the bottom of the pond to stop percolation and limit the outflow (See Appendixes C, D, and E).

COMMENTS:

The Committee thanks the staff of Frazier Park Public Utility District and the consulting civil engineer for their cooperation and assistance. The Board Members expressed concern and passion for their job, and understand their responsibility for supplying sustainable drinking water to the community.

Frazier Park residents have a concern about the pond in the Kern County Park. Many have the opinion that the drying up of the pond is due to pumping water from new Well #6 (See Appendixes C, D, and E); the FPPUD should address this concern. Citizens that are concerned about the pond may want to review the memorandum sent to the Kern County Board of Supervisors from the Kern County Parks and Recreation Department, dated November 15, 2016. Attached to the memorandum is the report titled "The General Overview of Frazier Mountain Park Pond" prepared by the supervising engineer. California's drought has caused many changes in the ponds, lakes, and reservoirs throughout the State.

RECOMMENDATIONS:

- R1. The Frazier Park Public Utility District should upgrade their website to provide for online payments. (Finding 9)
- R2. The FPPUD should keep the website updated with current board meeting agendas and minutes. (Finding 10)
- R3. The FPPUD should make the water bills user friendly. The meter readings and billing information should be consistent, either gallons or cubic feet, but not both. (Finding 8)
- R4. The FPPUD should better inform the public of all district activities. The use of the local newspaper, sending quarterly newsletters, website, and posting meeting agendas around the community (post office, library, etc.) would keep the community better informed. (Findings 2, 5, 10, 13, and 14)

- R5. The FPPUD should complete the feasibility study concerning the annexation of Lake of the Woods and the formation of a regional water system. The final decision must be made by a majority of affected eligible voters. (Findings 3 and 4)
- R6. The FPPUD should place and enforce a time limit on public comments during regular board meetings (See Appendix F, as an example). (Finding 14)
- R7. To address community concerns, the FPPUD should consult and work cooperatively with the Kern County Parks and Recreation Department, to research and develop solutions to the pond issue. (Findings 1 and 18)

NOTES:

- The Kern County Park and Recreation Department, Frazier Park Public Utility District and the Lake of the Woods Mutual Water Company should post a copy of this report where it will be available for public review.
- Persons wishing to receive an email notification of newly released reports may sign up at: www.co.kern.ca.us/grandjury.
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website: www.co.kern.ca.us/grandjury.

RESPONSE REQUIRED WITHIN 90 DAYS:

**PRESIDING JUDGE
KERN COUNTY SUPERIOR COURT
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301**

**CC: FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301**

APPENDIX:

Appendix A:

Photos: New Water Well # 6 being placed on line.

August 16, 2016



Appendix B:

Frazier Park Public Utility District website:

Pressure and Elevation

Elevations range from 4,000 to 5,700 feet. Whenever possible, a water storage tank (reservoir) is located higher than the homes it is designed to serve so that the water can flow by gravity. Gravity-flow systems tend to be more reliable during fires or other emergencies that result in power outages because they do not require electrical pumps to operate. Of course not all areas of the District can be supplied by gravity flow; some areas will require pumping. Normally, the reservoirs are filled at night when water use is lowest. The full tanks are then able to supply the higher demand for water in the daytime. Sometimes, due to a fire emergency or construction in the area, high demand slows refilling of the tank, which can result in lowered water pressure.

Pressure Regulators

Some areas may have too much water pressure, which can cause household appliances to malfunction. In those areas, pressure regulators are installed in compliance with local building codes. The pressure regulator provides protection to your house from unexpected water pressure surges.

The pressure regulator is a bell-shaped device and is typically installed on the inlet pipe, next to the hose bib and house valve. The regulators are preset by the manufacturer at about 50 - 60 psi. In most cases, they do not need to be adjusted. Incorrectly adjusting the regulator could cause water pressure that is too low or too high inside the home. FPPUD cannot make repairs or adjust pressure regulators because they are considered part of a homeowner's private water system. We recommend you have a qualified plumber make adjustments.

Pressure Regulator sample



Appendix C:

The Mountain Enterprise

September 16, 2016



[Photo by The Mountain Enterprise]

“But it’s a crime to move sick fish into a healthy pond”

About a dozen well-meaning residents came to Frazier Mountain Park on Sunday, Sept. 4 over Labor Day weekend. They were equipped with nets, buckets, even a plastic wading pool. Fish had been observed “trying to throw themselves up on shore,” said Frazier Park resident...

A call to the California Department of Fish and Wildlife (DFW) by Lake of the Woods’ June Ramsay sparked a rumor that residents were being “threatened” by a DFW warden with a \$1,500 fine for each fish that was illegally removed from the pond. A call to the DFW Lieutenant by *The Mountain Enterprise* yielded an explanation that taking fish that have been stressed, such as these, from this pond and placing them...

Photo captions:

Residents tried to rescue dying fish from the pond in Frazier Mountain Park Sunday, Sept. 4.

Appendix D:

The Mountain Enterprise

September 23, 2016

“Operation Duck, Duck, Goose is a success”



[Photo by The Mountain Enterprise]

It took two weeks, crowds of volunteers and a threat of arrest, but the two Frazier Park pond geese were finally captured on Sunday, Sept. 18 by dedicated wildlife activists.

Over the Labor Day weekend, frantic calls came into The Mountain Enterprise about fish dying in the Frazier Park pond, gasping for air and...

Photo captions:

... bring a white goose up to the bank of Frazier Mountain Park pond after it had eluded capture for two weeks. Its companion, the brown...

Appendix E:

Photos: Kern County Park, Frazier Park Pond



October 20, 2016



Appendix F:

Public Comment item on the Kern County Board of Supervisors meeting's agenda

PUBLIC PRESENTATIONS

“This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Also, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**”



FRAZIER PARK PUBLIC UTILITY DISTRICT
4020 PARK DRIVE P.O. BOX 1525, FRAZIER PARK, CA 93225
TELEPHONE: 661-245-3734 FAX: 661-245-3472
www.frazierparkwater.com



January 26, 2017

CHARLES R. BREHMER, PRESIDING JUDGE
KERN COUNTY SUPERIOR COURT
1415 TRUXTON AVENUE, SUITE 212
BAKERSFIELD, CA 93301

RE: December 5, 2016 Grand Jury Report

Dear Judge Brehmer:

Frazier Park Public Utility District submits the following responses to the Grand Jury Report, dated December 5, 2016 pursuant to Penal Code section 933.05.

FINDINGS:

F1. The source of water for the FPPUD are three wells identified as: Well #4 and Well #6 located at 4001 Park Drive; Well #5 located at the end of Montana Trail; and two active springs known as Pine Canyon and Sam Young. Continuous chlorination is provided to all water produced from these active sources. The well water supply is drawn from aquifers located in a canyon surrounded by mountains. The springs are located uphill from the community, and secured to prevent possible contamination. The FPPUD has 12 water storage tanks (11 currently used) and booster pumps located throughout the community.

RESPONSE: The District agrees with the finding.

F2. The FPPUD has been selling water to LOWMWC for approximately a year, to determine if the FPPUD's system can meet the extra demand. Currently water is being trucked to Lake of the Woods from FPPUD.

RESPONSE: The District disagrees partially with the finding. The FPPUD only sold water to Lake of the Woods Mutual Water Company for approximately five, non-consecutive months. Currently water is trucked as needed.

F3. The FPPUD's "Lower Cuddy Creek Water Demand Study", covering the communities of Frazier Park and Lake of the Woods to create a regional water entity, produced the following information:

- a. Combined total of 1,704 connections; peak hour demand ranges between 1,050 to 2,800 gpm.
- b. For estimation purpose, an additional 300 connections could be added if the regional entity were to be created, bringing the total number of connections to 2,004.
- c. Annual water demand for the regional entity; 561 acre-feet with the additional 300 connections.
- d. Combined maximum monthly average daily demand; 350-933 gpm.
- e. Pumping records for the past six years for FPPUD system indicate that the maximum monthly daily pumping demand is 360 gpm. This was met by drawing water from wells, springs, and from storage tanks.
- f. The FPPUD has 2.1 million gallons of storage and pumps a maximum of 16.06 million gallons in a given month.
- g. Consulting civil engineers completed a study to form a regional water entity. This would include new pipelines to Lake of the Woods, additional storage tanks, and booster pumps, at a projected cost of \$16 million.

RESPONSE: The District agrees with the finding, based on information provided by Dee Jaspar & Associates.

F4. Before the annexation process is completed, FPPUD will have to complete a new rate study.

RESPONSE: The District agrees with the finding.

F5. The FPPUD is working to develop a Sustainable Groundwater Management Authority (SGMA) and the Financial Assistance Application Submittal Tool (FAAST) Planning Grant Application; a Memorandum of Understanding (MOU) with all parties involved will have to be completed.

RESPONSE: The District agrees with the finding.

F6. In the July 2016 Monthly Manager's Report:

- a. Water pumped - 10,384,200 gallons.
- b. Water sold - 6,454,394 gallons.
- c. With a lag (water loss) - 33.43%.
- d. In June 2015 the lag - 20.34%.
- e. Six year average lag (2009-2014) - approximately 20%.

RESPONSE: The District agrees with the finding.

- F7.** According to the consulting civil engineer, the difference between water pumped versus water sold is likely a combination of losses due to pipe breaks and metering inconsistencies. Other factors, as stated by the GM, are not accurately measuring water in the storage tanks and the variable nature of the two springs feeding into the water system.

RESPONSE: The District agrees with the finding.

- F8.** Monthly bills from FPPUD may be difficult to read and understand by the water users:
- a. Meters are usually read monthly and are recorded to the nearest hundred cubic feet (CCF).
 - b. Bills are calculated and charged in gallons of water used.
 - c. Users must convert from CCF to gallons (one CCF is equal to 748 gallons) to understand their bills.
 - d. The computer will estimate water usage when the meter cannot be read.

RESPONSE: The District agrees with the finding.

- F9.** The FPPUD's website is unable to accept online payments.

RESPONSE: The District agrees with the finding.

- F10.** The FPPUD's website is not kept up-to-date with current board agendas and approved minutes.

RESPONSE: The District disagrees partially with the finding. Generally, it was kept up to date, but due to technical malfunctions, it was incorrect on a few occasions.

- F11.** About two years ago, the FPPUD discovered an illegal tap was used to steal water from a main water line fed by one of the springs.

RESPONSE: The District agrees with the finding.

- F12.** The FPPUD is using district staff to complete the process of adding Well #6 to the water system (See Appendix A).

RESPONSE: The District agrees with the finding.

- F13.** The FPPUD board voted to increase water rates after the Rural Community Assistance Corporation completed and presented a rate study at the September 2016 board meeting:
- a. New base rate for $\frac{3}{4}$ inch service meter - \$55 a month.
 - b. New usage fee - \$2.60 per 1000 gallons.
 - c. The rate study will allow FPPUD to seek State funding - \$16-20 million.
 - d. The rate study was funded by the State of California.
 - e. Under Proposition 218, rate increase hearings are scheduled.

RESPONSE: The District agrees with the finding. Please see attached Rate Study.

- F14.** The Committee visited the October 20, 2016, FPPUD Board Meeting and observed the following: no salute to the flag, the meeting ran according to Robert's Rules of Order, and District Policy. Agenda item #3, Public Comments, lasted over one hour due to discussion about the pond and other topics (See Appendix F, as an example).

RESPONSE: The District disagrees partially with the finding. The committee visited the Board Meeting on October 13, 2016.

- F15.** The FPPUD board is working on updating the District Bylaws and Regulations, as well as the Board Member Conduct Policy.

RESPONSE: The District agrees with the finding.

- F16.** All FPPUD board members have completed the required Ralph M. Brown Act and other leadership training.

RESPONSE: The District agrees with the finding.

- F17.** The FPPUD Board will be appointing a new member to fill the vacant seat on the Board of Directors.

RESPONSE: The District agrees with the finding.

- F18.** The consulting civil engineer stated that the pond in Frazier Park had several years of low water in the late 1970s and early 1980s due to drought conditions. Today the spring that feeds the pond is almost dry, therefore water inflow is less than outflow and evaporation. Well #4 and Well #6, which are located closest to the pond, draw water from an aquifer that is located about 250 feet deep and has been stable for years. The pond is fed by a spring. A solution to the dry pond is to line the bottom of the pond to stop percolation and limit the outflow (See Appendixes C, D, and E).

RESPONSE: The District partially disagrees with the finding. The FPPUD is not responsible for the pond; It is under the jurisdiction of Kern County Parks and Recreations. The District cannot comment on a solution.

RECOMMENDATIONS:

- R1.** The Frazier Park Public Utility District should upgrade their website to provide for online payments. (Finding 9)

RESPONSE: The recommendation will be implemented. The District has purchased a website, and hopes to implement online payments by the end of 2017.

- R2.** The FPPUD should keep the website updated with current board meeting agendas and minutes. (Finding 10)

RESPONSE: The recommendation has been implemented. The District has purchased a new website which enables the Clerk of the Board to upload Agendas and Minutes in a timely manner.

- R3.** The FPPUD should make the water bills user friendly. The meter readings and billing information should be consistent, either gallons or cubic feet, but not both. (Finding 8)

RESPONSE: The recommendation has been implemented effective February 2017. Meters will be read in cubic feet, and billed per 100 cubic feet.

- R4.** The FPPUD should better inform the public of all district activities. The use of the local newspaper, sending quarterly newsletters, website, and posting meeting agendas around the community (post office, library, etc.) would keep the community better informed. (Findings 2, 5, 10, 13, and 14)

RESPONSE: The recommendation has been implemented. The FPPUD already posts in the required locations. In 2017 we agree to explore additional locations. The new website will allow posting of additional information.

- R5.** The FPPUD should complete the feasibility study concerning the annexation of Lake of the Woods and the formation of a regional water system. The final decision must be made by a majority of affected eligible voters. (Findings 3 and 4)

RESPONSE: The recommendation has been implemented. District Engineer Dee Jaspas conducted a groundwater availability study, and published it on August 27, 2015. The residents of Frazier Park were polled and results counted at the Board Meeting on April 28, 2016. The result was 334 votes in favor of annexation, and 122 votes against. Based on the opinion of the majority of the responders, the Board voted to move forward with the process of annexation. The final decision was already made by the Lake of the Woods public shareholders, with a vote of 10,050 shares for annexation, and 1,500 shares against. During the LAFCo process residents of Lake of the Woods will be given a period to submit comments.

- R6.** The FPPUD should place and enforce a time limit on public comments during regular board meetings (See Appendix F, as an example). (Finding 14)

RESPONSE: The recommendation has been implemented. The Board already had a public comment time period established, limiting comments to five minutes. A timer has been purchased so the time limit can be more strictly enforced.

- R7.** To address community concerns, the FPPUD should consult and work cooperatively with the Kern County Parks and Recreation Department, to research and develop solutions to the pond issue. (Findings 1 and 18)

RESPONSE: The recommendation has been implemented. The District is not responsible for the pond, however, the FPPUD has been working with Kern County Parks and Recreation, and will continue to do so. Anything the County asks of the District can be brought before the Board for a vote.

Respectfully,



Brahma Neyman
FPPUD Board President

CC: FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTON AVENUE, SUITE 600
BAKERSFIELD, CA 93301

Kern County Board of Supervisors
Response to Grand Jury Final Report
Frazier Park Public Utility District

Response to Recommendation:

R7: To address community concerns, the Frazier Park Public Utility District should consult and work cooperatively with the Kern County Parks and Recreation department, to research and develop solutions to the pond issue.

We concur with the Grand Jury's recommendation for Kern County General Services' Parks and Recreation division to continue working with the Frazier Park Public Utility District on the issue of the pond water.

KERN COUNTY WATER RATE SURVEY

Water at What Price?

PREFACE:

This report is an effort to inform the public of the price fluctuations, in and around the City of Bakersfield and County of Kern. The disparity in water rates from the same water company contrasting two diverse areas was interesting enough to initiate a water rate study by the 2016-2017 Kern County Grand Jury (Grand Jury). The Special Districts Committee (Committee) compiled a water rate survey -- seeking various characteristics of each water district or company i.e., primary water source, water storage, potable water prices, as well as supplementary information.

Some Grand Jurors participated in a Special Districts in-house study, water rate disparities became evident. There were water bills indicating a rate nine fold (nine times) higher than that of another bill from the same company. This water company has varying rates depending on the service location within the City of Bakersfield, as well as varying rates, for servicing desert and mountain areas. It appears that water rates differ significantly depending on geographic location within the City, as well as urban water service areas.

The Governor of California declared a Drought State of Emergency on January 17, 2014, which brought water usage to the forefront with a mandated statewide 25 percent reduction in potable water usage and metering by the year 2025. Most districts have met their mandated reductions and the 2025 deadline for meters, while other districts have more work to do. The Governor declared the State of Emergency to be over on April 7, 2017. In spite of the Governor's declaration, some water districts are insisting upon raising rates. It should be noted that some service areas still have a flat rate fee schedule.

PURPOSE OF INQUIRY:

In order to determine, and expose water pricing disparity throughout Kern County, the Committee conducted an investigation into residential water rates for Kern County Water Districts and Companies, pursuant to Penal Code §§925 and 933.5.

PROCESS:

The Committee prepared a Kern County Residential Water Survey and sent it to sixty-eight water districts and water companies throughout the County (See Appendix A). To date, the Committee received forty-nine surveys; thirty surveys were for residential water.

FACTS:

The following district and company water rates were collected to comprise this report:

1. Bear Valley Community Services District
2. Boron Community Water District
3. Buttonwillow County Water District
4. City of Bakersfield
5. City of Delano
6. City of McFarland
7. City of Shafter
8. City of Tehachapi
9. City of Wasco
10. Desert Lake Community Services District
11. East Niles Community Services District
12. Edgemont Acres Mutual Water Company
13. Frazier Park Utility District
14. Golden Hills Community Services District
15. Greenfield County Water District
16. Indian Wells Valley Water District
17. Inyokern Community Service District
18. Krista Mutual Water Company
19. Lake Isabella Community Services District
20. Lake of the Woods Mutual Water Company
21. Lamont Public Utility District
22. Lost Hills Utility District
23. Mettler County Water District
24. Mil Potrero Mutual Water Company
25. Mojave Public Utility District
26. Oildale Mutual Water Company
27. Quail Valley Water District
28. Rand Communities Water District
29. Stallion Springs Community Services District
30. West Kern Water District

The **Pacific Institute** is a global water think tank that provides science-based leadership with an active outreach to influence local, national, and international efforts in developing sustainable water policies. The **Pacific Institute Report**, September 18, 2014, stated:

“SUMMARY: Water metering in California is an important tool to help customers understand their water use in order to use the resource more efficiently. Coupled with effective pricing structures, water meters can send a price signal to customers to reduce excessive or wasteful use. Water meters can help water utilities manage the system more effectively and identify leaks. While most California utilities have installed water meters, more than 219,000 customers remain unmetered. For those who have not completed their installation program, additional water savings can be realized by expediting meter installation before the **2025 deadline**, reducing vulnerability to drought and other water supply constraints.”

FINDINGS:

- F1. Five survey responses indicated Flat Rates are still in use. Rates ranged between a low of \$23.51 to a high of \$75.00, with an average flat rate of \$50.40 per month.
- California Water Service did not return a survey, however, according to the Pacific Institute Report, September 18, 2014, “**34% of the Bakersfield water that they supply is unmetered.**”
- F2. The survey collected water rates and information for the 2015-2016 fiscal year. Most surveys that indicated meters were in use, and the following was summarized:
- Eight districts and/or companies use tiered meter rates
 - Cost per 100 cubic-feet (CCF), for the first CCF on a ¾ inch connection fees are:
 - Low \$ 0.72
 - High \$ 4.99
 - Average \$ 2.22
- F3. According to the *2011 Study of California Water Usage*, the average California family of four will use **360** gallons of water per day. This is approximately **14.5** CCF per month or **10,800** gallons of water. Using this information, an approximate monthly water bill would be:

Connection Fee + Usage Rate = Monthly Bill

Bear Valley Community Services District	\$25.53+ \$41.26 = \$ 66.79
Boron Community Water District	\$43.00+ \$18.38 = \$ 61.38
Buttonwillow County Water District	\$24.65(Flat rate) = \$ 24.65
City of Bakersfield (city limits)	\$ 9.88+ \$13.63 = \$ 23.51
City of Bakersfield (unincorporated)	\$12.85+ \$17.26 = \$ 30.11
City of Delano (flat rate)	\$68.16(Flat rate) = \$ 68.16
City of Delano (metered tier)	\$24.72+ \$21.92 = \$ 46.64
City of McFarland	\$13.07+ \$19.26 = \$ 32.33
City of Shafter	\$32.14+ \$ 6.27 = \$ 38.41
City of Tehachapi (zone A)	\$21.50+ \$20.20 = \$ 41.70
City of Tehachapi (zone B)	\$21.50+ \$25.38 = \$ 46.88
City of Wasco	\$28.25+ \$47.76 = \$ 76.01

Desert Lake Community Services District	\$17.00+ \$58.00 = \$ 75.00
East Niles Community Services District	\$31.10+ \$14.79 = \$ 45.89
Edgemont Acres Mutual Water Company	\$75.00(Flat rate) = \$ 75.00
Frazier Park Utility District (old rate)	\$39.59+ \$17.28 = \$ 56.87
Frazier Park Utility District (new rate 2017)	\$39.59+ \$28.08 = \$ 67.67
Golden Hills Community Services District	\$21.66+ \$39.30 = \$ 60.96
Greenfield County Water District	\$23.29+ \$10.44 = \$ 33.73
Indian Wells Valley Water District	\$36.96+ \$12.33 = \$ 49.29
Inyokern Community Service District	\$27.47+ \$12.33 = \$ 39.80
Krista Mutual Water Company	\$55.00(Flat rate) = \$ 55.00
Lake Isabella Community Services District	\$23.05+ \$45.97 = \$ 69.02
Lake of the Woods Mutual Water Company	\$50.00(Flat rate) = \$ 50.00
Lamont Public Utility District	\$26.86+ \$ 5.95 = \$ 32.81
Lost Hills Utility District	\$30.00+ \$37.80 = \$ 67.80
Mettler County Water District	\$30.75+ \$00.00 = \$ 30.75
Mil Potrero Mutual Water Company (quarterly billed)	\$37.60+ \$29.00 = \$ 66.60
Mojave Public Utility District	\$21.50+ \$14.69 = \$ 36.19
Oildale Mutual Water Company	\$33.90+ \$00.00 = \$ 33.90
Oildale Mutual Water Company (flat rate)	\$37.75+ \$00.00 = \$ 37.75
Quail Valley Water District	\$77.66+\$72.36 = \$150.02
Rand Communities Water District	\$46.00+ \$162.75 = \$208.75
Stallion Springs Community Services District	\$ 8.78+ \$49.30 = \$ 58.08
West Kern Water District	\$17.30+ \$16.74 = \$ 34.04

- Depending on the water district or company:
 - Low \$ 23.51
 - High \$ 208.75
 - Average \$ 56.16
- The above estimated monthly water bills were calculated by the Committee, actual bills will vary. Some surveys used cubic feet (CF), some hundred cubic feet (CCF) (HCF), some gallons (Gal), and some hundred gallons (CG) of water for billing purposes.

F4. Some Grand Jurors shared their personal monthly water bill from different areas of Kern County. This information illustrates the vast differences in the actual monthly water bills. Water bills varied according to single and multiple resident usages. Below are actual water bills, showing water usage, water rates, and the TOTAL BILL for a month with all fees, taxes, credits, and surcharges:

- Juror A
 - California Water Service – Bakersfield City
 - 6 CCF or 4,488 Gallons for the month
 - Connection Fee \$ 9.98
 - 6.00 CCF at \$0.94/CCF \$ 5.64
 - Total Bill (fees, credits, taxes, surcharges) \$ 15.62
- Juror B
 - California Water Service
 - 16 CCF or 11,568 Gallons for the month
 - Connection Fee \$ 15.33
 - 13.00 CCF at \$1.72 \$ 23.30
 - 3.00 CCF at \$1.9429 \$ 5.83
 - Total bill (fees, credits, taxes, surcharges) \$ 47.58
- Juror C
 - California Water Service – Lake Isabella
 - 10 CCF or 7,480 Gallons for the month
 - Connection Fee \$ 64.34
 - 10.00 CCF at \$9.1334 \$ 91.33
 - Drought surcharge 4.00 CCF at \$2.26 \$ 9.04
 - Total bill (fees, credits, taxes, surcharges) \$118.80
- Juror D
 - California Water Service – Bakersfield City
 - 55 CCF or 41,140 Gallons for the month
 - Connection Fee \$ 15.06
 - 55.00 CCF at \$0.94 \$ 51.70
 - Total bill (fees, credits, taxes, surcharges) \$ 66.76
- Juror E
 - California Water Service
 - 24 CCF or 17,952 Gallons for the month
 - Connection Fee \$ 15.33
 - 13.00 CCF at \$1.792 \$ 23.30
 - 11.00 CCF at \$1.9429 \$ 21.37
 - Total bill (fees, credits, taxes, surcharges) \$ 64.42

- Juror F
 - Bakersfield City Water Service
 - 12 CCF or 8,976 Gallons
 - Connection Fee \$ 9.88
 - 12.00 CCF at \$0.94 \$ 11.28
 - Total bill (fees, credits, taxes, surcharges) \$ 21.16
- Juror G
 - Oildale Mutual Water Company
 - Flat Rate
 - Total bill (fees, credits, taxes, surcharges) \$ 37.75
- Juror H
 - California Water Service – Bakersfield City
 - 5 CCF or 3,740 Gallons
 - Connection Fee \$ 9.98
 - 5.00 CCF at \$0.94 \$ 4.70
 - Total bill (fees, credits, taxes, surcharges) \$ 14.58
- Juror I
 - California Water Service – Bakersfield City
 - 7 CCF or 8,976 Gallons
 - Connection Fee \$ 15.65
 - 7.00 CCF at \$1.828 \$ 12.79
 - Total bill (fees, credits, taxes, surcharges) \$ 30.22
- Juror J
 - California Water Service
 - 44 CCF or 32,912 Gallons
 - Connection Fee \$ 15.23
 - 13.00 CCF at \$1.792 \$ 23.30
 - 21.00 CCF at \$1.9429 \$ 40.80
 - 10.00 CCF at \$2.2635 \$ 22.64
 - Total bill (fees, credits, taxes, surcharges) \$109.87

F5. The sources of water used to provide potable water in Kern County primarily comes from aquifers. Some entities utilize the State Water Project, the Kern Water Agency, or the Antelope Valley East Kern Water Agency.

In 2006, the California Supreme Court ruled that Proposition 218 applies to local water, refuse and sewer charges.

- A local jurisdiction cannot charge one group of customers more in order to subsidize the fees of another group
- Requires each entity to complete a water rate survey before a rate change can be proposed
- Amended the California Constitution by adding Articles XIII, C, and XIII, D, to require local governments to obtain the approval of property owners in a local ballot measure before levying a new or increased tax assessment on those property owners

Below are the sources of water and the last water rate survey by District or Company:

- Bear Valley Community Services District:
 - Water source: Wells and State Water Project
 - Last rate review: December 2013

- Boron Community Water District
 - Water source: Wells and Antelope Valley East Kern Water Agency
 - Last rate review: November 2013

- Buttonwillow County Water District
 - Water source: Wells
 - Last rate review: 2014

- City of Bakersfield
 - Water source: Wells
 - Last rate review: June 2016

- City of Delano
 - Water source: Wells
 - Last rate review: April 2013

- City of McFarland
 - Water source: Wells
 - Last rate review: No response

- City of Shafter
 - Water source: Wells
 - Last rate review: In progress

- City of Tehachapi
 - Water source: Wells and State Water Project for banking
 - Last rate review: December 2015

- City of Wasco
 - Water source: Wells
 - Last rate review: 2016

- Desert Lake Community Services District
 - Water source: Antelope Valley East Kern Water Agency
 - Last rate review: April 2015

- East Niles Community Services District
 - Water source: State water from Kern County Water Agency, Kern River, and Friant-Kern Canal
 - Last rate review: September 2016

- Edgemont Acres Mutual Water Company
 - Water source: Wells and Antelope Valley East Kern Water Agency
 - Last rate review: January 2016
- Frazier Park Utility District
 - Water source: Wells
 - Last rate review: 2016
- Golden Hills Community Services District
 - Water source: Wells and State Water Project- City of Tehachapi
 - Last rate review: In progress
- Greenfield County Water District
 - Water source: Wells
 - Last rate review: January 2016
- Indian Wells Valley Water District
 - Water sources: Wells
 - Last rate review: March 2015
- Inyokern Community Service District
 - Dissolved February 2015
- Krista Mutual Water Company
 - Water source: Well
 - Last rate review: June 2016
- Lake Isabella Community Services District
 - Water source: Purchase from ECW Company
 - Last rate review: June 2014
- Lake of the Woods Mutual Water Company
 - Water source: Wells and trucking in water
 - Last rate review: December 2016
- Lamont Public Utility District
 - Water source: Wells
 - Last rate review: No response
- Lost Hills Utility District
 - Water source: Wells and State Water Project
 - Last rate review: April 2016

- Mettler County Water District
 - Water source: Wells
 - Last rate review: In progress
- Mil Potrero Mutual Water Company
 - Water source: Wells
 - Last rate review: April 2016
- Mojave Public Utility District
 - Water source: Wells and Antelope Valley East Kern Water Agency
 - Last rate review: October 2013
- Oildale Mutual Water Company
 - Water source: Wells and North of the River Water District
 - Last rate review: January 2012
- Quail Valley Water District
 - Water source: Wells
 - Last rate review: In progress
- Rand Communities Water District
 - Water source: Wells
 - Last rate review: December 2012
- Stallion Springs Community Services District
 - Water source: Wells and State Water Project
 - Last rate review: 2010
- West Kern Water District
 - Water source: Wells and State Water Project
 - Last rate review: 2010

COMMENTS:

The Committee would like to thank the staff from all of the responding water districts and companies for their cooperation. Anyone wanting to know more about their own water rates should contact their provider.

NOTES:

- Persons wishing to receive an email notification of newly released reports may sign up at: www.co.kern.ca.us/grandjury.
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website: www.co.kern.ca.us/grandjury.
- Person wishing to make comments or responses to this report should be directed to:

**PRESIDING JUDGE
KERN COUNTY SUPERIOR COURT
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301**

**CC: FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301**

APPENDIX A

2016-2017 Kern County Grand Jury

Kern County Residential Water Rates Survey

1. Name your public water district, city water system, or private company selling retail water.
2. How many metered residential water connections do you serve?
3. How are the meters read?
4. How often are the meters read?
5. How many flat rate (unmetered) connections?
6. Describe your plan to meet State mandate (SB229) that requires metered water by 2025.
7. Describe your major source of water.
8. Do you receive any State or Federal water?
9. What are the other sources of water that can or may be used?
10. Describe the number and size of water storage tanks in use.
11. Approximately how many miles of main lines and branch pipes are within your residential retail system?
12. What is the annual average percentage water loss (unsold water)?
13. Approximately how many square miles is your service area?
14. What are the residential monthly service water rates:
 - a. 5/8" service charge
 - b. 3/4" service charge
 - c. 1" service charge
 - d. 1 1/2" service charge

- e. 2" service charge
 - f. 4" service charge
 - g. Other sizes
15. Indicate the date of the last water rate review.
16. What is the charge per CCF and/or gallon for metered water?
17. Please provide the tiered rates if applicable.
18. What are the late charges and when are they applied?
19. What is the new residential connection fee?
- a. 5/8"
 - b. 3/4"
 - c. 1"
 - d. 1 1/2"
 - e. 2"
 - f. 4"
 - g. Other sizes
20. How often are meters replaced?
21. What is the cost per new meter?

Please return survey to Kern County Grand Jury no later than December 15, 2016.

**Kern County Grand Jury
1415 Truxtun Avenue, Suite 600
Bakersfield, CA 93301**

Fax: 661-321-0761

Email: gjspecialdistricts@co.kern.ca.us

LEBEC COUNTY WATER DISTRICT

SUMMARY:

As with most special districts in Kern County, the Lebec County Water District (District) has limited capital reserves to operate a district office with 3 employees. Meeting the recommendations from the independent auditor's reports, concerning segregation of financial duties, may prove to be difficult due to limited resources.

PURPOSE OF INQUIRY:

California Penal Code §§925 and 933.5 authorizes the 2016-2017 Kern County Grand Jury (Grand Jury) to conduct an inquiry/investigation into any special legislative district within Kern County.

PROCESS:

The Special Districts Committee (Committee) conducted a phone interview with the District Manager to discuss the management and operations of the District. The Committee attended the regular meeting of the Board of Directors, reviewed past Grand Jury reports, District financial reports, and the District's website.

BACKGROUND:

The Lebec County Water District serves the residents of Lebec, and the Chimney Canyon area, along with many businesses located in Kern County within the District's boundaries. The District was established by a resolution of the Kern County Board of Supervisors on December 26, 1967, in accordance with the provisions of the County Water District Law within the Water Code of the State of California. The District assumed operations of existing water systems in Lebec, California on April 21, 1969, providing the consolidation, acquisition and construction of water systems to serve the customers.

- A. As noted in the Lebec County Water District's website, the District is committed to providing customers with the highest quality and most cost-effective water services, while preserving public health, protecting the environment, and ensuring the utmost in customer satisfaction.
- B. The 2011-2012 Kern County Grand Jury completed four Final Reports concerning the Lebec County Water District with recommendations.

- C. The District is governed by a five member Board of Directors, elected by the voters within the District. The current Board of Directors consists of:
- One seated in 2011
 - One seated in 2014
 - Two seated in 2016
 - One seated in January 2017
- D. Three full-time employees oversee the day-to-day operations of the District:
- District Manager (hired February 2017)
 - Water Operations Supervisor
 - Water Operator

FINDINGS:

- F1. The Recommendations from the 2011-2012 Grand Jury reports have been addressed and/or corrected with the change in the makeup of the Board of Directors.
- F2. A Director of the Board is assigned as the Treasurer for the District. The day-to-day and monthly accounting reports are performed by a contracted accounting firm.
- F3. The Year End Financial Statements are compiled and submitted to the Kern County Auditor-Controller-County Clerk's Office by a separate independent accounting firm. The most recent Year End Financial Statement is dated January 26, 2017.
- A. Schedule of Findings and Recommendations, Fiscal Year Ending June 30, 2016, has four recommendations:
1. "Inventory should be counted on a regular basis, but at a minimum annually. After the count is performed, the inventory listing should be updated accordingly. After the inventory listing is prepared, it should be reviewed for clerical accuracy and reasonableness, and reconciled to the trial balance. Not reviewing and monitoring the inventory schedules appropriately may lead to misstatements in the financial statements and possible misappropriation of assets."
 2. "We recommend that the District identify a member of the Management to take over the responsibility of financial reporting."
 3. "We recommend all significant agreements the District enters into should be in writing and retained. Not retaining written agreements could result in nonpayment from the customer and potential misstatements in the financial statements."

4. "We recommend that an analysis and cut-off procedures be applied to grant revenue to ensure that income is reported in the proper period. Failure to properly report revenue in the appropriated period can lead to potential material misstatements in the financial statements."
- F4. The California Environmental Protection Agency, State Water Resources Control Board, Drinking Water State Revolving Fund has provided a \$500,000 Grant to the District in order to drill a test well.
- F5. The Board of Directors are paid a stipend of \$100 per meeting and reimbursed for training expenses.
- F6. The District's website has information on water quality and billing procedures, along with a blog link to discuss current District news.
- F7. The District serves approximately 300 connections.
- F8. District Board meetings are well organized; following parliamentary procedure rules, providing detailed reports on finances, updates on grants, and a detailed water operations report.
- F9. Board and District Policies and Procedures are reviewed with legal counsel.
- F10. As of the date of this report, the minutes of regular board meetings for January, February and March 2017, were not posted on the Lebec County Water District website. Some minutes were found posted in The Mountain Enterprise Newspaper (www.mountainenterprise.com).
- F11. The financial Balance Sheet as of March 31, 2017, indicates the District has a sound financial statement. (See Appendix A)

COMMENTS:

The Committee thanks the General Manager for assisting with information about the operations of the District. After reviewing previous Grand Jury reports, the 2016-2017 Grand Jury recognizes that the District has made strides in the right direction. The four new Directors have brought in new ideas, resulting in improvements.

RECOMMENDATIONS:

- R1. The Lebec County Water District should continue to incorporate the findings and recommendations from the Year End Independent Auditor's Report, Ending June 30, 2016, into the management of the District. (Finding 3)

- R2. The District should maintain and update the Lebec County Water District website, including board minutes. (www.lebecwater.com) (Finding 10)

NOTES:

- The Lebec County Water District should post a copy of this report where it will be available for public review.
- Persons wishing to receive an email notification of newly released reports may sign up at: www.co.kern.ca.us/grandjury.
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website: www.co.kern.ca.us/grandjury.

RESPONSE REQUIRED WITHIN 90 DAYS:

**PRESIDING JUDGE
KERN COUNTY SUPERIOR COURT
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301**

**CC: FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301**

APPENDIX:

Appendix A

12:18 PM
04/03/17
Accrual Basis

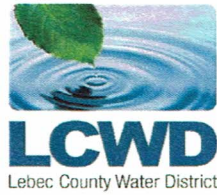
LEBEC COUNTY WATER DISTRICT
Balance Sheet
As of March 31, 2017

	Mar 31, 17
ASSETS	
Current Assets	
Checking/Savings	
1011 - Customer Change Petty Ca	300.00
1020 - Lebec Co Water Dist. - Checki...	70,990.91
1040 - Grant Checking Account	25.00
1080 - Savings	
1081 - Emergency Fund Reserve	120,000.00
1080 - Savings - Other	430,107.98
Total 1080 - Savings	<u>550,107.98</u>
Total Checking/Savings	<u>621,423.89</u>
Accounts Receivable	
1200 - Accounts Receivable	30,948.39
Total Accounts Receivable	<u>30,948.39</u>
Other Current Assets	
1260 - Bad Debt Loss A/R	-231.55
Total Other Current Assets	<u>-231.55</u>
Total Current Assets	<u>652,140.73</u>
Fixed Assets	
1290 - Grants Receivable	14,038.00
1400 - Fixed Assets	
1410 - Land	15,521.00
1430 - Office Equipment	4,352.00
1440 - RVS Software	2,800.00
1450 - 2011 Dodge Truck	36,179.75
1460 - 2012 Chevy Truck	17,544.00
1470 - Soft Start Well	7,975.00
1480 - Used Welder	2,600.00
1490 - 02 Backhoe	28,782.00
1495 - Generator	8,225.00
1500 - Other Equipment	8,250.00
1530 - Inventory	73,918.09
1590 - Lebec Well Motor Pump	10,109.35
1600 - Pumps & Wells	154,313.40
1610 - Tanks	306,208.72
1615 - Tank Ladders	6,972.00
1620 - Transmission & Distribution	636,423.00
1630 - Tools	2,220.73
1690 - Accumulated Depreciation	-813,441.33
Total 1400 - Fixed Assets	<u>508,952.71</u>
1601 - Chimney Cyn Pump Motor	10,982.70
1602 - Pump Equipment	36,932.00
1631 - Portable Pump	1,864.00
Total Fixed Assets	<u>572,769.41</u>
Other Assets	

12:18 PM
04/03/17
Accrual Basis

LEBEC COUNTY WATER DISTRICT
Balance Sheet
As of March 31, 2017

	Mar 31, 17
1800 · Deposits	1,000.00
Total Other Assets	1,000.00
TOTAL ASSETS	1,225,910.14
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2010 · Accounts Payable	6,769.05
Total Accounts Payable	6,769.05
Other Current Liabilities	
2110 · Direct Deposit Liabilities	288.24
2300 · Payroll Liabilities	
2310 · Federal Withholding	-0.11
2320 · FICA	-0.45
2330 · State Withholding	0.41
2350 · SUTA	0.07
2360 · SDI	-0.14
2300 · Payroll Liabilities - Other	-0.15
Total 2300 · Payroll Liabilities	-0.37
Total Other Current Liabilities	287.87
Total Current Liabilities	7,056.92
Total Liabilities	7,056.92
Equity	
3290 · Fund Balance -Net Assets	797,919.12
3300 · Retained Earnings	379,760.06
3310 · Prior Period Adjustment	36,118.00
Net Income	5,056.04
Total Equity	1,218,853.22
TOTAL LIABILITIES & EQUITY	1,225,910.14



September 15, 2017

The Honorable Charles Brehmer, Presiding Judge
Kern County Superior Court
1415 Truxtun Avenue, Suite 212
Bakersfield, CA 93301

Cc: Kern County Grand Jury, Foreperson
1415 Truxtun Avenue, Suite 600
Bakersfield, CA 93301

Dear Judge Brehmer and Mr. Amstead,

Lebec County Water District has reviewed the Facts and Findings published in the 2016-2017 Report issued by the Kern County Grand Jury. We have listed our response to the Findings and Recommendations below.

1) FINDINGS

F1 thru F11 – Lebec County Water District agrees with your findings.

2) RECOMMENDATIONS

R1. – This recommendation has been implemented and we will continue to incorporate findings and any recommendations from our Annual Audit Report into the Management of the Lebec County Water District.

R2. – This recommendation has been implemented. The General Manager will maintain the Lebec County Water District website including, but not limited to, minutes, agendas, and public notifications as needed.

Respectfully,

Jessica Carroll
General Manager
Lebec County Water District

“Water is One of Life’s Precious Resources”

NORTH KERN CEMETERY DISTRICT

Lost Money and Missing Land

PREFACE:

According to a police report, the North Kern Cemetery District (District) had in excess of \$60,000 stolen sometime between July 2013 and November 2014. The District receives over \$250,000 in cash receipts during a normal year. In 2013 and 2014, some receipts were never deposited. A local accounting firm didn't discover the errors through monthly reports, and year end fiscal audits.

There is also a dispute over the land deeded to the District and with a neighboring farmer. The Pomfret Memorial Pioneer Cemetery, located outside of McFarland, is supposed to be one and one half (1½) acres of land, according to the deed. A neighboring farmer may have planted trees on property deeded to the District 40 years ago, and a cell tower may encroach on the same property. A land survey will need to be conducted to determine property boundaries and jurisdiction.

The usual way of doing business may be to blame for problems found in the District. The *Small Town, Good Old Boy*, trust your neighbor or fellow worker might be a problem. The Past General Manager stated, "I'm a farmer at heart, where a handshake made a deal, and your word meant something."

PURPOSE OF INQUIRY:

The 2016-2017 Kern County Grand Jury (Grand Jury) Special Districts Committee (Committee) conducted an investigation of the North Kern Cemetery District, pursuant to Penal Code §925.

PROCESS:

The Committee looked at previous Grand Jury reports for the District and decided to conduct an inspection. It had been at least eleven years since the last report. On November 3, 2016, the Committee met with the current General Manager (GM) and the Assistant General Manager (Assistant GM). The Committee inspected Delano Cemetery, Pomfret Memorial Pioneer Cemetery in McFarland, and the District's office at 627 Austin Street, Delano, CA 93216. It was during this meeting, the Committee was informed about missing money, and a separate settlement from a lawsuit concerning their year end fiscal audits.

The Delano Police Department (DPD) provided the case number of the reported theft of cash, filed on November 21, 2014. More information was gathered after meeting with the Chief of Police, Watch Commander, Sergeant, and Investigator regarding the missing money. The Committee contacted Kern County Sheriff's Office (KCSO), since

DPD transferred the case to their jurisdiction. It was later determined that the KCSO never accepted the case and returned the matter to the DPD.

The last three year end audit reports were reviewed by the Committee. Interviews with District Staff, all current Board of Directors and a past Board Member were conducted.

The internet provided information about the history of Delano, North Kern Cemetery District, along with the current pricing schedule, the 2014-2015 and 2015-2016 budgets, and revenue and expenses for these years.

BACKGROUND AND FACTS:

History:

The Delano Cemetery was started in 1869 by the Central Pacific Railroad, which was having financial problems. While waiting for more money to continue rail construction south, the railroad line ended in Delano. The original cemetery was just south of the corner of 11th Avenue and Glenwood Street in Delano, next to the railroad tracks.

By 1873, Southern Pacific Railroad acquired the railroad, and provided the necessary funds to continue the construction. Historical records indicate Chinese laborers were housed in Delano for the construction. A cholera epidemic broke out and many Chinese laborers were buried in a common grave.

In 1888, Southern Pacific Railroad deeded ten acres of land to the community of Delano for a new cemetery. After the turn of the century, community development occurred on the west side of the tracks. The original headstones and remains were relocated to the present cemetery located at 627 Austin Street in Delano. After Delano became a city in 1915, the City Council operated the cemetery, and fees were charged for burials. In most cases, friends and family of the deceased were not particular where they dug the graves. When land became available, the City purchased other parcels on Austin Street for growth.

The North Kern Cemetery District was formed in 1939. A five member Board of Directors (Board) appointed by the Kern County Board of Supervisors (Supervisors) serves a four year term. Board members represent the communities of Delano and McFarland.

In 1972, a family relative deeded one and one half (1½) acres of land, known as the Pomfret Memorial Pioneer Cemetery, to the District. This family cemetery is located at Phillips Road and Porterville-Famoso Highway, just north of Famoso. Today the site contains about eleven identifiable graves. It is presumed that there are more graves, unmarked, because the wooden markers that were used in the early days have disappeared. As many as 30 more plots, with at least one Civil War Veteran, may be present. It is designated as a permanent cemetery with the California Secretary of State. The District does not use this cemetery for new burials. The McFarland Lion's Club and McFarland Leo's Club assists the District in the care of the cemetery.

Presently:

The District encompasses over 310 square miles, which includes the communities of Delano, McFarland, Pond, and Famoso. The District has 33 acres of grass and developed land, with another 45 acres of undeveloped land, on the west side of Albany Street within the City of Delano. Currently, 15 acres, of the 45 acres, are being developed with roads, grass, trees, and possibly a new office building.

The District averages 285 burials per year, with the most burials set at 346 in one year. The District offers single depth, full size burial plots, and in-ground cremation burials. Every full service burial has two groundsmen on duty, while cremation services require only one. Services are scheduled one and half (1½) hours apart to avoid traffic congestion. The District employs one GM, one Assistant GM (vacant position), one Office Secretary, and four groundsmen (one vacant position).

As a public cemetery district, the District is supported by property tax revenues (County of Kern account) and revenues from burials (local bank account). The budget shows 46% of revenue is from property taxes, and 54% from the sales and investment income (see Appendix A). Total income for 2014-2015 was over \$961,000, and actual expenses exceeded \$890,000.

FINDINGS:

- F1. Board meetings were held on the 2nd and 4th Thursday of each month. Board members are paid a stipend of \$100 per meeting. In December 2016, the Board moved to meet once a month. Currently, Board Meetings are held on the 2nd Thursday at 4:15 p.m., in the District Office.
- F2. Five members make up the Board of Directors:
 - one has held the position for 23 years
 - one for ten years
 - one for five years
 - one for two years
 - one for one year
- F3. Two Board members are seated on the Delano City Council. One also represents the City of Delano on the Delano Mosquito Abatement Board.
- F4. Board agendas and meeting minutes are not regularly updated on the District's website, as required by the Brown Act. This information is only posted at the District Office.
- F5. The Committee attended the January 12, 2017 Regular Board Meeting, and observed the following:
 - a. Agendas were well prepared with financial statements and supporting documentation.

- b. Votes were taken on motions, but the individual vote results were not always announced (not sure all board members voted).
 - c. Parliamentary procedures for conducting meetings were not always followed per Robert's Rules of Order; such as re-voting and postponing actions on previous motions were allowed.
 - d. Board member comments became hostile, with personal attacks between two board members.
- F6. The immediate past General Manager, hired in 2005, retired in November 2016. The Assistant General Manager was appointed Interim General Manager, December 1, 2016, and General Manager, January 12, 2017.
- F7. Over the past 20 years, with five different general managers, the Board of Directors has allowed a hostile work environment to become excessive. A former disgruntled employee, on more than three occasions, had returned to the property threatening to kill everyone. Office Staff were very concerned about their personal safety and welfare.
- F8. The Delano Police are often called to break up fights, drinking and smoking in the cemetery, vandalizing headstones with red or blue paint, gang activity, and other small crimes.
- F9. The former policy of the District was to issue office keys and alarm codes to the GM, Head Groundsman, and Office Secretary. Keys were not always accounted for; former employees and community members may have been given keys to the grounds and possibly the office.
- F10. Over the past five years, three different accounting firms were used to oversee the financial matters for the District. A local accounting firm (Firm #1) is contracted to maintain daily activities and payroll duties with the use of QuickBooks. Firm #1 performed monthly activity reports and was asked to prepare the year end audits, up until 2010. Year end audits were found to be delinquent. The District went as long as three years without an audit. Year end audits were received and reviewed by the District without considering the recommendations. In 2010, due to changes in accounting practices, Firm #1 informed the District that it would no longer perform the year end audits, but would continue to perform monthly reports.
- F11. An accounting firm (Firm #2) was contracted to prepare the accounts for three fiscal year end audits that were not completed (2008, 2009, and 2010). Firm #2 could not understand the accounting practices used by Firm #1. Firm #2 may have made improper accounting adjustments, zeroing out some accounts and balancing the books without District approval. The District filed a lawsuit against Firm #2 for improper accounting practices. A settlement of \$20,000 was accepted by the District to offset \$99,000 in fees paid.

- F12. The current accounting firm (Firm #3) has performed the last three fiscal year end audits (2013, 2014, and 2015), and continues to perform year end audits. They are currently working on the 2016 fiscal year end audit.
- F13. Firm #3 has provided training to the GM, Office Secretary, and Head Groundsman, on how to use QuickBooks to generate receipts from payments, prepare deposit slips, and reconcile the checking account on a weekly basis.
- F14. Year end audits are sent to the Kern County Auditor/Controller/County Clerk for review and filing.
- F15. On November 21, 2014, the GM went to the Delano Police Department to file a report of missing funds from the North Kern Cemetery District that was discovered by Firm #3. According to the police report, the following was noted:
- a. The fiscal year (2013-2014) audit found that \$28,423.63 in funds were missing.
 - b. Money was taken between September 11, 2013 and October 16, 2014.
 - c. Cash payments received were not deposited into the bank account.
 - d. The GM is the only one who made deposits to the bank, and deposits were made every week or every other week.
 - e. The GM stated, "money is put into the vault along with all death records"
 - GM opens the vault first thing in the morning
 - GM locks the vault when leaving at the end of the day
 - The vault stays open all day
 - There is no surveillance video in the office, and no documentation on who enters the vault
 - f. From July 1, 2014 through August 25, 2014, a total of \$5,690.16 was missing.
- F16. On December 3, 2014, a DPD lead investigator reviewed the case and noted the following after completing interviews:
- a. An accounting firm auditing the July 1, 2013 to June 30, 2014 fiscal year notified the GM on November 18, 2104, that \$28,423.63 was missing from September 11, 2013 to June 16, 2014
 - b. The accounting firm also noted, \$11,061.20 was missing from July 1, 2014 to October 27, 2014
 - c. One check in the amount of \$820.08 was also missing
 - d. While visiting the office, the lead investigator noted:
 - The vault was on the south side of the building behind a service counter
 - It was a large walk-in vault and the door was unlocked and opened

- The handle for the vault was a pair of Vice Grips pliers
 - The cash drawer with cash, and money on the counter, was in plain view
 - Staff stated money was kept in manila folders until deposited
- e. On December 2, 2014, the lock on the vault was changed
 - f. District Secretary has worked for the District for approximately 19 years
 - g. The District office is open Monday through Friday
 - h. If there is a weekend burial, groundsmen or GM will enter the office
 - i. The secretary did not open or close the vault; the vault was open when she arrived to work
 - j. The District's board Chairman stated "there was no discipline and it was 'very lax'"
 - k. The Head Groundsman has worked for the District over 28 years
 - l. The groundsmen would collect money and place the money in an envelope to hide it in the vault and give the envelope to the GM the following day
- F17. On May 18, 2015, the DPD Report was updated:
- a. GM stated the QuickBooks program found errors and located money missing from weekly deposits, in the sum of \$39,484.83, from September 11, 2013 to June 16, 2014
 - b. Additional money was missing from cash receipts from July 1, 2014 through August 25, 2014
- F18. On May 19, 2015, the DPD delivered a copy of the police report to the Kern County Sheriff's Office, Delano Substation, for their investigation. The Kern County Sheriff's Office rejected jurisdiction and returned the report to the DPD.
- F19. The District's liability risk insurance company hired a private investigation firm to locate the party(s) responsible for the loss of cash. After an intensive investigation, the insurance company resolved the claim by paying over \$60,000 for the loss of funds to the District.
- F20. Customer and public complaints were reported to the Delano Police Department for services not provided (headstones and benches).
- F21. Minutes of the Special Meeting of the District's Board, November 26, 2014, passed a motion to: "A. change the lock on the office door, B. make daily deposits, C. install a modern security system, D. place a safe within the vault with dual access, E. change the combination on our vault."
- F22. **North Kern Cemetery District**, *Schedule of Finding for both June 30, 2014 and June 30, 2015*, year end audits from Firm #3, contained the following:

- -1, Preparation of Financial Statement
 - **Condition:** “As is typical with most small government entities, management is not able to produce its own financial statements in conformity with U.S. generally accepted accounting principles.”
 - **Recommendation:** “We recommend the District consider cost effective ways to be able to prepare its financial statements.”
- -2, Segregation of Duties
 - **Condition:** “The District does not have adequate segregation of duties.”
 - **Recommendation:** “We recommend the District design and implement policies and procedures to help mitigate the lack of segregation of duties. Utilize others within the District to be part of the process since hiring new employees is not effective.”
- -3, Monitoring of Internal Controls
 - **Condition:** “The District does not have adequate monitoring of internal controls.”
 - **Recommendation:** We recommend the District implement monitoring procedures. The District should allocate sufficient resources to monitor internal controls.”
- -4, Controls over Cash Receipts
 - **Condition:** “The District does not have adequate controls to safeguard cash receipts.”
 - **Recommendation:** “We recommend the District make bank deposits on a daily basis. The small size of the District prohibits equated segregation of duties so mitigating control should be implemented to require cash handling be performed in pairs. The District should also stay current on reconciliations of the bank account and undeposited funds as this will allow for faster detection of problems.”

F23. Receipts received by the Office Secretary are approximately 50% cash and 50% checks and credit cards.

F24. Beginning January 2017, the Office Secretary will receive the payments, generate a receipt on QuickBooks, attach the cash, check, or credit card receipt to the paper receipt, and insert the receipt with the payment into the slot on the locked safe, inside the vault. Starting March 1, 2017, “NO CASH” will be accepted for payments.

F25. The GM retrieves the payments from the safe and makes bank deposits.

- F26. The Office Secretary answers the phone, greets all customers, answers questions, makes sales, receives payments, and addresses public concerns.
- F27. The District has one of the least expensive pricing schedules in Kern County and California (See Appendix B). Only residents within the District, or family members of interred residents, can use the cemetery at the current rate. Non-residents are charged an additional \$400 fee.
- F28. The District uses Administrative Bulletin No. 20 of the Kern County Administrative Office, regarding reimbursement rates for the District Staff and Board Members while attending meetings and conferences. The District does NOT require receipts to substantiate claimed travel expenses, as per the reference to www.gsa.gov found in Bulletin No. 20. Some District Staff and Board Members stated that unspent funds belong to them.
- F29. Possible Ralph M. Brown Act violations may have occurred. Copies of e-mails verified that all Board Members have received communications from the District legal counsel outside of a board meeting. On at least one occasion, the Chairman of the Board sent an e-mail to all other Board Members discussing District business.
- F30. During the discussion and sale of District real estate to the City of Delano, the two city council members sitting on the District Board of Directors did not recuse themselves. This conduct may be a violation of the “conflict of interest” code for the two Board Members.
- F31. The District Board Members did not:
- perform annual evaluations and a review of the GM’s performance
 - demand that year end audits be performed in a timely manner
 - establish District policies on the duties and responsibilities of all employees
 - establish District policies to safeguard District’s cash and assets
 - assure that money dispensed for conference, travel, and conventions are properly accounted
 - place the public’s interest above their personal interest
- F32. Some District Board Members are unaware or uninformed of state/county/district policies and procedures required to administer a cemetery district.
- F33. The current GM has plans to make changes within the District. The goals include:
- a. Review and update the employee handbook

- b. Improve the grounds and landscaping; trim trees, plant grass, and develop more burial space
- c. Improve community relationships and public interest
- d. Work cohesively with the Board to keep them informed and work cooperatively
- e. Improve the internet service for the District (drop DSL; add a satellite dish)
- f. Review and update Board Policies on an ongoing basis (some are dated 1989, 1991, and 2004)
- g. Work closely and visit each employee daily to improve their work ethic
- h. Work on "THE DETAILS"

F34. During the Committee inspection of the Pomfret Memorial Pioneer Cemetery, the following was observed:

- a. There was a four foot chain link fence surrounding known marked graves, approximately ½ acres
- b. The entrance gate was locked with a pad lock
- c. Pecan trees were planted directly east of the fence
- d. A cell tower and more pecan trees were north of the fence
- e. Grass and weeds were around the fenced area
- f. The sign was in need of repair and hard to read
- g. Approximately ten graves were marked and had plastic flowers

F35. The District's legal counsel had been in negotiations with the neighboring farmer regarding property boundaries. As of February 2017, no settlement had been reached. The District is in the process of obtaining a legal survey of the property in dispute, to determine ownership of the cemetery property.

COMMENTS:

The Committee has spent many hours investigating and researching the North Kern Cemetery District. The District Staff, Delano Police Department, and the Kern County Sheriff's Office have been very cooperative. We thank everyone for their assistance and providing us with invaluable information. This report reflects many changes that must take place within the District in order to gain the confidence of the public. The missing money is public funds and the community is entitled to justice. The new General Manger should institute new policies and procedures. The District Board of Directors and the Kern County Board of Supervisors should take an active role to ensure that changes are implemented.

RECOMMENDATIONS:

R1. The Kern County Board of Supervisors should consider appointing several NEW Board Members to the North Kern Cemetery District. At least two

Board Members' actions are preventing the Board to function without conflict. (Findings 22, 28, 29, 30, 31, and 32)

- R2. The District should adopt new policies and procedures for collecting and depositing funds daily. (Findings 15 and 33)
- R3. District Office personnel who receive funds should be bonded and trained on how to process receipts. No other District staff should accept payments and/or handle receipts. (Findings 13, 15, 16, 17, 24, and 25)
- R4. The District should update, repair, or replace the current vault and keep it functional. (Finding 16)
- R5. The District should no longer accept payments when trained personnel are not present. (Findings 16 and 24)
- R6. The District should implement all recommendations from the Year End Audit Reports provided by accounting Firm #3. (Finding 22)
- R7. The Kern County Auditor/Controller/County Clerk should review and make comments and/or recommendations to assist the District in meeting the Year End Audit Report Recommendations. The Kern County Auditor should request information from the District when a Year End Audit Report is not received in a timely manner. (Finding 14 and 22)
- R8. The District should review and update Board Policy regarding e-mails, process of handling information, posting agendas, and posting minutes to be in compliance with the Ralph M. Brown Act. (Findings 4, 5, 28, and 29)
- R9. To avoid conflict of interests, District Board members should be trained and informed on the recusal process. (Findings 29, 30, and 32)

NOTES:

- The Kern County Board of Supervisor, the Kern County Auditor/Controller/County Clerk, and the North Kern Cemetery District should post a copy of this report where it will be available for public review.
- Persons wishing to receive an email notification of newly released reports may sign up at: www.co.kern.ca.us/grandjury.
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website: www.co.kern.ca.us/grandjury.

RESPONSE REQUIRED WITHIN 90 DAYS:

**PRESIDING JUDGE
KERN COUNTY SUPERIOR COURT
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301**

**CC: FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301**

APPENDICES:

Appendix A:

The Budget and Actual for General Fund

North Kern Cemetery District			
Expenses	Budget 2014-2015	Actual 2014-2015	Budget 2015-2016
Salaries+Wages	\$ 373,000.00	\$ 355,044.37	\$ 380,000.00
Retirement	\$ 54,000.00	\$ 44,962.64	\$ 60,000.00
Payroll Taxes	\$ 26,000.00	\$ 37,408.85	\$ 37,000.00
Outside Services	\$ 20,000.00	\$ 20,471.01	\$ 21,000.00
Leyva's Security			
Pest Control			
Tree Service			
Printing Service			
Plumbing Service			
Discing 50ac.			
Maint+Operations	\$ 45,000.00	\$ 70,680.14	\$ 60,000.00
Audits&Account.			
Equip. Repairs			
Fuel & Oil			
Irrig. Repairs			
Drinking Water			
Cement+Rebar			
Insurance	\$ 120,000.00	\$ 120,916.00	\$ 129,000.00
Golden State Ins. Co. of Kern			
Telephone	\$ 2,200.00	\$ 2,380.85	\$ 2,300.00
Dues +Memberships	\$ 540.00	\$ 270.00	\$ 540.00
Laundry Service	\$ 12,000.00	\$ 9,701.99	\$ 8,000.00
Misc+Refunds	\$ 4,000.00	\$ 750.00	\$ 2,500.00
Office Supplies	\$ 3,000.00	\$ 2,735.39	\$ 3,000.00
Legal+Professional	\$ 2,000.00	\$ 7,518.75	\$ 8,000.00
Travel+Meetings	\$ 6,500.00	\$ 4,410.59	\$ 5,000.00
Vaults+Liners	\$ 65,000.00	\$ 67,105.72	\$ 69,000.00
Asco Pacific			
Cal-Valley Vault			
Supplies	\$ 32,000.00	\$ 35,486.40	\$ 35,000.00
Utilities	\$ 26,000.00	\$ 28,725.62	\$ 29,000.00
Sales Tax+Co. Fees	\$ 9,500.00	\$ 9,232.73	\$ 9,500.00
Sub-Total	\$ 800,740.00	\$ 817,780.85	\$ 858,840.00
Capital Outlay			
Equipment +Improvements	\$ 97,000.00	\$ 72,253.89	\$ 151,000.00
Total	\$ 897,740.00	\$ 890,034.74	\$ 1,009,840.00

North Kern Cemetery District
Budget and Actual for General Fund

Revenue	Budget 2014-2015	Actual 2014-2015	Budget 2015-2016
Columbarium	\$ 4,200.00	\$ 2,800.00	\$ 4,000.00
Lot Sales	\$ 82,000.00	\$ 92,550.00	\$ 87,000.00
Open/Close	\$ 88,000.00	\$ 97,730.00	\$ 93,000.00
Vaults+Liners	\$ 68,000.00	\$ 73,460.00	\$ 70,000.00
Vases	\$ 9,000.00	\$ 10,745.00	\$ 9,500.00
Marker Setting	\$ 39,000.00	\$ 48,300.00	\$ 44,000.00
Use of Funds	\$ 2,500.00	\$ 5,356.51	\$ 2,000.00
Other Sales	\$ 24,000.00	\$ 26,285.84	\$ 25,000.00
Account Transfer#1		\$ -	\$ 164,000.00
Account Transfer#2	\$ -	\$ -	\$ 50,000.00
Non-Resident Fee	\$ 6,000.00	\$ 7,200.00	\$ 6,500.00
Investment Income	\$ 45,000.00	\$ 77,617.42	\$ 55,000.00

Income from Taxes and Assessments

	\$ 450,000.00	\$ 519,629.26	\$ 450,000.00
Total	\$ 817,700.00	\$ 961,674.03	\$ 1,080,000.00

Reserves= General Fund on 7/1/2015 = \$427,515.75

Notes= Account Transfer #1 - Premium Account to General Fund.

Account Transfer#2 - Pre-Need Fund to General Fund.

January 2015 burial price adjustment anticipated. (3%)

Taxes and Assesments = 07-08 = \$432,726, 08-09 = \$442,948, 09-10 = \$367,432

10-11 = \$437,611, 11-12 = \$443,512, 12-13 = \$590,215

Investment Income = Use of Funds for Pre-Need, Endowment and Endowment Earnings Funds

Other Sales = Bench Setting Fees, Saturday Service fees, Dis-interment, Temporary Marker, Transfer Fee, Removal Fee, House Rent etc.

Use of Funds = Interest Paid on General Operating Fund.

11-12 Endowment Fees = \$48,920, 12-13 = \$49,700, 13-14 = \$61,680

14-15 = \$64,600

11-12 Pre-Need Lots = \$62,730. 12-13 = \$52,800. 13-14 = \$85,310

14-15 = \$93,380

Appendix B:

North Kern Cemetery

Burial Price List 1/13/2014

Adult Service with cement Liner and (2) galvanized vases

Lot	\$ 580.00
Endowment Fee	\$ 200.00
Opening/Closing	\$ 350.00
Marker Setting Fee	\$ 150.00
Cement Liner	\$ 260.00
(2) Galvanized Vases	\$ 35.00
Sales Tax	\$ 25.08

Total \$ 1,600.08

Non-Resident Fee	\$ 400.00
Total	\$ 2,000.08

Adult Service with cement Vault and (2) galvanized vases

Lot	\$ 580.00
Endowment Fee	\$ 200.00
Opening/Closing	\$ 350.00
Marker Setting Fee	\$ 150.00
Cement Vault	\$ 310.00
(2) Galvanized Vases	\$ 35.00
Sales Tax	\$ 29.33

Total \$ 1,654.33

Non-Resident Fee	\$ 400.00
Total	\$ 2,054.33

Adult Service with cement Liner and (2) Aeon vases

Lot	\$ 580.00
Endowment Fee	\$ 200.00
Opening/Closing	\$ 350.00
Marker Setting Fee	\$ 150.00
Cement Liner	\$ 260.00
(2) Aeon Vases	\$ 90.00
Sales Tax	\$ 29.75

Total \$ 1,659.75

Non-Resident Fee	\$ 400.00
Total	\$ 2,059.75

Adult Service with cement Vault and (2) Aeon vases

Lot	\$ 580.00
Endowment Fee	\$ 200.00
Opening/Closing	\$ 350.00
Marker Setting Fee	\$ 150.00
Cement Vault	\$ 310.00
(2) Aeon Vases	\$ 90.00
Sales Tax	\$ 34.00

Total \$ 1,714.00

Non-Resident Fee	\$ 400.00
Total	\$ 2,114.00

Additional Charges

Burial Lot Transfer of Ownership	\$ 30.00
Saturday Service	\$ 400.00
Double Headstone Setting Fee	\$ 300.00
Bench Setting Fee	\$ 200.00
Remove/Destroy Single Marker	\$ 40.00
Remove/Destroy Double Marker	\$ 80.00
Temporary Marker Rental	\$ 15.00
Oversize Liner	\$ 250.00 added to regular liner
Outside Purchase of Vault Handling Fee	24 Hr. before Ser \$ 200.00

North Kern Cemetery
Cremation Burial Price List 01/13/2014

Cremation Service on a Single Lot and (2) galvanized vases		Cremation Service on a Single Lot and (2) Aeon vases	
Lot	\$ 580.00	Lot	\$ 580.00
Endowment Fee	\$ 200.00	Endowment Fee	\$ 200.00
Opening/Closing	\$ 90.00	Opening/Closing	\$ 90.00
Marker Setting Fee	\$ 150.00	Marker Setting Fee	\$ 150.00
Cremation Vault	\$ 75.00	Cremation Vault	\$ 75.00
(2)Galvanized Vases	\$ 35.00	(2) Aeon Vases	\$ 90.00
Sales Tax	\$ 9.35	Sales Tax	\$ 9.35
Total	\$ 1,139.35	Total	\$ 1,194.35
Non-Resident Fee	\$ 400.00	Non-Resident Fee	\$ 400.00
Total	\$ 1,539.35	Total	\$ 1,594.35

Cremation Service on Half Lot and (2) galvanized vases		Cremation Service on Half Lot and (2) Aeon vases	
Lot	\$ 290.00	Lot	\$ 290.00
Endowment Fee	\$ 100.00	Endowment Fee	\$ 100.00
Opening/Closing	\$ 90.00	Opening/Closing	\$ 90.00
Marker Setting Fee	\$ 150.00	Marker Setting Fee	\$ 150.00
Cremation Vault	\$ 75.00	Cremation Vault	\$ 75.00
(2)Galvanized Vases	\$ 35.00	(2) Aeon Vases	\$ 90.00
Sales Tax	\$ 9.35	Sales Tax	\$ 9.35
Total	\$ 749.35	Total	\$ 804.35
Non-Resident Fee	\$ 400.00	Non-Resident Fee	\$ 400.00
Total	\$ 1,149.35	Total	\$ 1,204.35

North Kern Cemetery
Baby Burial Price List 1/13/2014

Lot	\$ 265.00
Endowment Fee	\$ 60.00
Opening/Closing	\$ 190.00
Liner (32L-16W-13H)	\$ 90.00
Marker Setting Fee	\$ 150.00
Vase (Galvanized)	\$ 17.50
Sales Tax	\$ 9.14
Total	\$ 781.64

Lot	\$ 265.00
Endowment Fee	\$ 60.00
Opening/Closing	\$ 190.00
Liner (38L-18W-17H)	\$ 100.00
Marker Setting Fee	\$ 150.00
Vase (Galvanized)	\$ 17.50
Sales Tax	\$ 9.99
Total	\$ 792.49

Lot	\$ 265.00
Endowment Fee	\$ 60.00
Opening/Closing	\$ 190.00
Liner (44L-17W-17H)	\$ 110.00
Marker Setting Fee	\$ 150.00
Vase (Galvanized)	\$ 17.50
Sales Tax	\$ 10.84
Total	\$ 803.34

		Colunbarium Price 2015		Aug. 16, 2014	
Row	Niche	Endowment Fee	Total	2nd Urn Fee	Non-Res
Top	\$ 800.00	\$ 100.00	\$ 900.00	\$ 500.00	\$ 250.00
Middle	\$ 700.00	\$ 100.00	\$ 800.00	\$ 500.00	\$ 250.00
Bottom	\$ 600.00	\$ 100.00	\$ 700.00	\$ 500.00	\$ 250.00

Second Shutter Engraved Fee = \$ 150.00

All engraving for 1st or 2nd urn will be standardized.



Mary B. Bedard, CPA
Auditor-Controller-County Clerk

KERN COUNTY AUDITOR-CONTROLLER-COUNTY CLERK

1115 Truxtun Avenue, 1st and 2nd Floor • Bakersfield, CA 93301-4639

April 7, 2017

The Honorable Charles R. Brehmer, Presiding Judge
Kern County Superior Court
1415 Truxtun Avenue
Bakersfield, CA 93301

The 2016-17 Kern County Grand Jury released a report of their findings and recommendations for North Kern Cemetery District on March 21, 2017. Below is my response to the findings and recommendations relating to the Auditor-Controller's Office:

Finding 14. Year end audits are sent to the Kern County Auditor/Controller/County Clerk for review and filing.

The Auditor-Controller is authorized to receive and file special district audits as specified in Government Code section 26909.

Finding 22 North Kern Cemetery District, Schedule of Finding for both June 30, 2014 and June 30, 2015 year end audits.

I agree that this accurately reflects the schedule of findings in both audits.

Recommendation 7. The Kern County Auditor/Controller/County Clerk should review and make comments and/or recommendations to assist the District in meeting the Year End Audit Report Recommendations. The Kern County Auditor should request information from the District when a Year End Audit Report is not received in a timely manner.

Our process is to follow up with districts when an audit is not filed timely. We would be happy to answer questions from North Kern Cemetery District regarding the recommendations in their audit report.

Sincerely,

A handwritten signature in cursive script that reads "Mary B. Bedard".

Mary B. Bedard, CPA
Auditor-Controller-County Clerk

cc: Kern County Grand Jury Foreperson
County Administrative Officer
Clerk of the Board

TRUSTEES
Pearl Rivera
Hubert Rabanal
Jose J. Hernandez
Rueben Pascual
Ruben Hill

North Kern Cemetery District

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MANAGER
Alfred Roman

SECRETARY
Xochitl Tabian

May 11, 2017

Presiding Judge
Kern County Superior Court
1415 Truxton Avenue, Suite 212
Bakersfield, CA 93301

Foreperson
Kern County Grand Jury
1415 Truxton Avenue, Suite 600
Bakersfield, CA 93301

RE: Response to 2016-2017 Grand Jury Report

Dear Judge and Members of the Grand Jury:

The Board of Trustees of the North Kern Cemetery District thanks the 2016-2017 Kern County Grand Jury for its review of the District, and appreciates its recommendations for improvement. The Board notes that many of the conditions reported by the Grand Jury were recognized prior to the issuance of the Grand Jury's report, and many remedial actions have already been completed or are underway.

The Board hereby respectfully submits its responses to the Findings and Recommendations of the 2016-2017 Kern County Grand Jury Report.

Responses to Findings

F1. Board meetings were held on the 2nd and 4th Thursday of each month. Board Members are paid a stipend of \$100 per meeting. In December 2016, the Board moved to meet once a month. Currently, Board Meetings are held on the 2nd Thursday at 4:15 p.m., in the District Office.

RESPONSE: AGREE. This is a correct statement as to when the Board of Trustees of the North Kern Cemetery District ("Board") meets. Pursuant to Health & Safety Code section 9031, trustees may receive a \$100 stipend per meeting, up to 4 meetings per month for the time dedicated to the governing of the District. The Board currently meets once a month, but may meet more often if required to do so in order to move pending projects forward.

F2. Five members make up the Board of Directors

- one has held the position for 23 years*

- *one for eight years*
- *one for five years*
- *one for two years*
- *one for one year*

RESPONSE: MOSTLY AGREE. This is a correct statement as to terms served by each respective trustee as of January 2017, except one trustee has served 8 years instead of the 10 years, as listed in Grand Jury report. On January of 2018 terms for 2 Board Members will expire.

F3. Two Board Members are seated on the Delano City Council. One also represents the City of Delano on the Delano Mosquito Abatement Board.

RESPONSE: AGREE.

F4. Board agendas and meeting minutes are not regularly updated on the District's website, as required by the Brown Act. This information is only posted at the District Office.

RESPONSE: PARTIALLY DISAGREE. Agendas have been uploaded to the website effective October 2016. Minutes, while not required to be posted on the website by the Brown Act, will be uploaded to the website on a regular basis, starting April 2017.

F5. The Committee attended the January 12, 2017 Regular Board Meeting, and observed the following:

- a. Agendas were well prepared with financial statements and supporting documentation.*
- b. Votes were taken on motions, but the individual vote results were not always announced (not sure all board members voted).*
- c. Parliamentary procedures for conducting meetings were not always followed per Robert's Rules of Order; such as re-voting and postponing actions on previous motions were allowed.*
- d. Board member comments became hostile, with personal attacks between two Board Members.*

RESPONSE: PARTIALLY DISAGREE. Minutes reflect who voted on what motions and the chairman has addressed the Board and the need for Board Members to interact respectfully with one another.

F6. The immediate past General Manager, hired in 2005, retired in November 2016. The Assistant General Manager was appointed Interim General Manager, December 1, 2016, and General Manager, January 12, 2017.

RESPONSE: AGREE. The Assistant Manager was hired on or about October 6, 2016, was appointed interim General Manager on December 1, 2016 and General Manager as of January 12, 2017.

F7. Over the past 20 years, the five different general managers, the Board of Directors has allowed a hostile work environment to become excessive. A former disgruntled employee, on more than three occasions, has returned to the property threatening to kill everyone. Office Staff were very concerned about their personal safety and welfare.

RESPONSE: DISAGREE. The current District Manager and the Board are unaware of three such occasions. In August of 2016, an employee complained to the then District Manager and to the Police of allegedly threatening conduct. An investigation was conducted, and an employee was terminated as a result of the investigation.

F8. The Delano Police are often called to break up fights, drinking and smoking in the cemetery, vandalizing headstones with red or blue paint, gang activity, and other small crimes.

RESPONSE: AGREE. The North Kern Cemetery District provides burial services to residents within its jurisdictional region. The City of Delano is the dividing line between two large gangs, the Northerners and Southerners. This has created conflicts at burials when gang members or families of gang members are laid to rest. For this reason, the police have been called to the cemetery to break up fights and other related gang activity. The District is proactive by placing law enforcement on alert when burial services may require heightened security. The District also employs private security to provide patrols on weekends and at night, as necessary.

F9. The former policy of the District was to issue office keys and alarm codes to the GM, Head Groundsman, and Office Secretary. Keys were not always accounted for; former employees and community members may have been given keys to the grounds and possibly the office.

RESPONSE: PARTIALLY AGREE. It is unclear to whom the report is referring when it states that “community members” may have had keys. A modern alarm system has been installed and locks changed, with limited access to codes and keys.

F10. Over the past five years, three different accounting firms were used to oversee the financial matters for the District. A local accounting firm (Firm #1) is contracted to maintain daily activities and payroll duties with the use of QuickBooks. Firm #1 performed monthly activity reports and was asked to prepare the year end audits, up until 2010. Year end audits were found to be delinquent. The District went as long as three years without an audit. Year end audits were received and reviewed by the District without considering the recommendations. In 2010, due to changes in accounting practices, Firm #1 informed the District that it would no longer perform the year end audits, but would continue to perform monthly reports.

RESPONSE: AGREE. On or about November 21, 2014, during an end of year fiscal audit, discrepancies were identified by the accounting firm relating to certain cash deposits. This discrepancy was brought to the attention of the then District Manager and Chairman of the Board of Trustees for the District (“District Chairman”). At the District Chairman’s directive, the District Manager reported the potential missing funds to the Police Department. Not knowing how long a police investigation would take, the District hired an accounting firm to conduct an investigation. In the meantime, the District’s liability risk insurance company also hired a private investigation firm to conduct a forensic audit. The insurance’s investigator was unable to conclude, based on the evidence, if funds were in fact missing, but ultimately paid out on the claim. The District’s investigators concluded that \$58,495.31 was not accounted for in the records. It was inconclusive, however, as to which person or persons, if any, were responsible for the loss. Since November 2014, both the head groundsman and the District Manager have retired. The steps taken by the District to address issues raised by the auditors in November 2014, include, but are not limited to the follows:

1. Contacted the Police Department to report potential loss. Changed the locks on the vault, and installed a new handle.
2. Liability risk insurance initiates investigation at District's request and in response to the claim filed.
3. A modern alarm system was installed, and door locks changed. Keys and codes have been issued to limited personnel.
4. District also retained its own investigator to determine if loss had occurred, and if so, which person or persons may be responsible for the loss.
5. Bank deposits made more frequently. A safe was installed within the vault with limited access to only the General Manager.
6. Since 2015, continue to conduct annual audits.
7. Implemented additional fiscal policies to segregate duties, track receipts, and make more frequent deposits.
8. In 2017, the District contracted out additional fiscal duties to further segregate the duties and ensure additional fiscal controls. As of March 1, 2017, the District stopped taking cash as a form of payment.

It should be noted that many of these remedial steps had been implemented long before the Grand Jury began its investigation.

F11. An accounting firm (Firm #2) was contracted to prepare the accounts for three fiscal year end audits that were not completed (2008, 2009, and 2010). Firm #2 could not understand the accounting practices used by Firm #1. Firm #2 may have made improper accounting adjustments, zeroing out some accounts and balancing the books without District approval. The District filed a lawsuit against Firm #2 for improper accounting practices. A settlement of \$20,000 was accepted by the District to offset \$99,000 in fees paid.

RESPONSE: AGREE. See also Response to F10 above.

F12. The current accounting firm (Firm #3) has performed the last three fiscal year end audits (2013, 2014, and 2015), and continues to perform year end audits. They are currently working on the 2016 fiscal year end audit.

RESPONSE: AGREE.

F13. Firm #3 has provided training to the GM, Office Secretary, and Head Groundsman, on how to use QuickBooks to generate receipts from payments, prepare deposit slips, and reconcile the checking account on a weekly basis.

RESPONSE: AGREE.

F14. Year end audits are sent to the Kern County Auditor/Controller/County Clerk for review and filing.

RESPONSE: AGREE.

F15. On November 21, 2014, the GM went to the Delano Police Department to file a report of missing funds from the North Kern Cemetery District that was discovered by Firm #3. According to the police report, the following was noted:

- a. The fiscal year (2013-2014) audit found that \$28,423.63 in funds were missing.
- b. Money was taken between September 11, 2013 and October 16, 2014.
- c. Cash payments received were not deposited into the bank account.
- d. The GM is the only one who made deposits to the bank, and deposits were made every week or every other week.
- e. The GM stated, "money is put into the vault along with all death records"
 - GM opens the vault first thing in the morning
 - GM locks the vault when leaving at the end of the day
 - The vault stays open all day
 - There is no surveillance video in the office, and no documentation on who enters the vault
- f. From July 1, 2014 through August 25, 2014, the total of \$5,690.16 was missing.

RESPONSE: See Response to F10 Above.

F16. On December 3, 2014, a DPD lead investigator reviewed the case and noted the following after completing interviews:

- a. An accounting firm auditing the July 1, 2013 to June 30, 2014 fiscal year notified the GM on November 18, 2014, that \$28,423.63 was missing from September 11, 2013 to June 16, 2014
- b. The accounting firm also noted, \$11,061.20 was missing from July 1, 2014 to October 27, 2014
- c. One check in the amount of \$820.08 was also missing
- d. While visiting the office, the lead investigator noted:
 - The vault was on the south side of the building behind a service counter
 - It was a large walk-in vault and the door was unlocked and opened
 - The handle for the vault was a pair of Vice Grips pliers
 - The cash drawer with cash, and money on the counter, was in plain view
 - Staff noted money was kept in manila folders until deposited
- e. On December 2, 2014, the lock on the vault was changed
- f. District Secretary has worked for the District for approximately 19 years
- g. The District office is open Monday through Friday
- h. If there is a weekend burial, groundsmen or GM will enter the office
- i. The secretary did not open or close the vault; the vault was open when she arrived to work
- j. The District's board Chairman stated "there was no discipline and it was "very lax""
- k. The Head Groundsman has worked for the District over 28 years
- l. The groundsmen would collect money and place the money in an envelope to hide it in the vault and give the envelope to the GM the following day

RESPONSE: See Response to F10 above.

F17. *On May 18, 2015, the DPD Report was updated:*

- a. *GM stated the QuickBooks program found errors and located money missing from weekly deposits, in the sum of \$39,484.83, from September 11, 2003 to June 16, 2014*
- b. *Additional money was missing from cash receipts from July 1, 2014 through August 25, 2014*

RESPONSE: See Response to F10 above.

F18. *On May 19, 2015, the DPD delivered a copy of the police report to the Kern County Sheriff's Office, Delano Substation, for their investigation. The Kern County Sheriff's Office rejected jurisdiction and returned the report to the DPD.*

RESPONSE: The Board became aware that there appeared to be a jurisdictional issue as to whether the Sheriff or the Police department would conduct the investigation.

F19. *The District's liability risk insurance company hired a private investigation firm to locate the party(s) responsible for the loss of cash. After an intensive investigation, the insurance company resolved the claim by paying over \$60,000 for the loss of funds to the District.*

RESPONSE: PARTIALLY AGREE. The loss was \$58,495.31. The liability risk insurance company also reimbursed the District for the costs associated with the investigation.

F20. *Customer and public complaints were reported to the Delano Police Department for services not provided (headstones and benches).*

RESPONSE: DISAGREE. The Board and the District Manager are unaware of any such complaints.

F21. *Minutes of the Special Meeting of the District's Board, November 26, 2014, passed a motion to: "A. change the lock on the office door, B. make daily deposits, C. install a modern security system, D. place a safe within the vault with dual access, E. change the combination on our vault."*

RESPONSE: AGREE

F22. *North Kern Cemetery District, Schedule of Findings for both June 30, 2014 and June 30, 2015, year end audits from Firm #3, contained the following:*

- *-1, Preparation of Financial Statement*
 - **Condition:** *"As is typical with most small government entities, management is not able to produce its own financial statements in conformity with U.S. generally accepted accounting principles.*
 - **Recommendation:** *"We recommend the District consider cost effective ways to be able to prepare its financial statements."*
- *-2, Segregation of Duties*
 - **Condition:** *"The District does not have adequate segregation of duties."*
 - **Recommendation:** *"We recommend the District design and implement policies and procedures to help mitigate the lack of segregation of duties.*

Utilize others within the District to be part of the process since hiring new employees is not effective.”

- -3, *Monitoring of Internal Controls*
 - **Condition:** *“The District does not have adequate monitoring of internal controls.”*
 - **Recommendation:** *We recommend the District implement monitoring procedures. The District should allocate sufficient resources to monitor internal controls.”*
- -4, *Controls over Cash Receipts*
 - **Condition:** *“The District does not have adequate controls to safeguard cash receipts.”*
 - **Recommendation:** *“We recommend the District make bank deposits on a daily basis. The small size of the District prohibits equated segregation of duties so mitigating control should be implemented to require cash handling be performed in pairs. The District should also stay current on reconciliations of the bank account and undeposited funds as this will allow for faster detection of problems.”*

RESPONSE: AGREE. It is a correct statement that it is difficult to segregate duties in small offices. Nevertheless, since June 2015, the District has implemented additional fiscal policies. In addition, the District now contracts out with an accounting firm to further segregate fiscal duties and strengthen internal controls. Likewise, the District no longer accepts cash. See also response to F10 above.

F23. Receipts received by the Office Secretary are approximately 50% cash and 50% checks and credit cards.

RESPONSE: DISAGREE. As of March 1, 2017, the District no longer accepts cash. Moreover, deposit slips are completed by two employees.

F24. Beginning January 2017, the Office Secretary will receive the payments, generate a receipt on QuickBooks, attach the cash, check, or credit card receipt to the paper receipt, and insert the receipt with the payment into the slot on the locked safe, inside the vault. Starting March 1, 2017, “NO CASH” will be accepted for payments.

RESPONSE: AGREE.

F25. The GM retrieves the payments from the safe and makes bank deposits.

RESPONSE: PARTIALLY AGREE. Deposits are made daily and deposit slips are made out by, or checked by, two people.

F26. The Office Secretary answers the phone, greets all customers, answers questions, makes sales, receives payments, and addresses public concerns.

RESPONSE: PARTIALLY AGREE. Correct statement, with clarification that the foreman and/or District Manager also meet with the public to address questions or concerns, depending on the circumstances.

F27. *The District has one of the least expensive pricing schedules in Kern County and California (See Appendix B). Only residents within the District, or family members of interred residents, can use the cemetery at the current rate. Non-residents are charged an additional \$400 fee.*

RESPONSE: AGREE. Pursuant to Health and Safety Code section 9001, "The Legislature finds and declares all of the following: (1) There is a continuing need to provide for the respectful and *cost-effective interment* of human remains to meet the cultural, economic, religious, and social needs of California's diverse communities." [Emphasis added.] The District strives to meet its mission by providing cost-effective respectful services to the residents of its District. Pursuant to the Health and Safety Code, non-residents must be charged an increased fee since they do not typically contribute to the property tax pool to the same degree as residents.

F28. *The District uses Administrative Bulletin No. 20 of the Kern County Administrative Office, regarding reimbursement rates for the District Staff and Board Members while attending meetings and conferences. The District does NOT require receipts to substantiate claimed travel expenses, as per the reference to www.gsa.gov found in Bulletin No. 20. Some District Staff and Board Members stated that unspent funds belong to them.*

RESPONSE: DISAGREE. The Board passed a reimbursement policy in October 2016, which expressly provides that reasonable and necessary expenses are only paid as a reimbursement, and not as an advance on an anticipated expense.

F29. *Possible Ralph M. Brown Act violations may have occurred. Copies of e-mails verified that all Board Members have received communications from the District legal counsel outside of a board meeting. On at least one occasion, the Chairman of the Board sent an e-mail to all other Board Members discussing District Business.*

RESPONSE: DISAGREE. Confidential attorney-client privileged information may be distributed to Trustees via e-mail or memorandum. This alone would not constitute a Brown Act violation. Moreover, a unilateral written communication to the legislative body, such as an informational or advisory memorandum, does not violate the Brown Act. *See Roberts v. City of Palmdale* (1993) 5 Cal.4th 363.

F30. *During the discussion and sale of District real estate to the City of Delano, the two city council members sitting on the District Board of Directors did not recuse themselves. This conduct may be a violation of the "conflict of interest" code for the two Board Members.*

RESPONSE: DISAGREE. This is an erroneous allegation. At the time of the sale of the property, there was only one Board Member who was also on the City Council. Knowing, he would need to recuse himself from the vote and its deliberations and in order to ensure there was not even an appearance of impropriety, he chose not to attend the public hearing. The minutes for that meeting verify that the Board Member was absent and did not take part in the discussions or the vote.

F31. *The District Board Members did not:*

- *perform annual evaluations and a review of the GM's performance*
- *demand that year end audits be performed in a timely manner*

- *establish District policies on the duties and responsibilities of all employees*
- *establish District policies to safeguard District's cash and assets*
- *assure that money dispensed for conference, travel, and conventions are properly accounted for*
- *place the public's interest above their personal interest*

RESPONSE: PARTIALLY DISAGREE. Annual evaluations will be conducted of all staff, including the District Manager. Long before the Grand Jury's inquiry, the District had already reviewed, approved, and implemented several policies addressing fiscal controls. Additional controls were put in place at the end of 2016 and earlier this year. The District was back on track with annual audits in 2015 and 2016. The District adopted policies requiring annual audits and intends to continue to perform timely annual audits. In October of 2016, the Board also adopted a reimbursement policy expressly requiring receipts. The District strongly disputes the Grand Jury's implications that Trustees place their own interests above the public's interest.

F32. Some District Board Members are unaware or uninformed of state/county/district policies and procedures required to administer a cemetery district.

RESPONSE: This finding is too vague to provide adequate information to allow for a substantive response. This finding is not clear about which policy or procedure, if any, to which a board member was allegedly not well-informed. For example, County policies would largely be inapplicable to an independent special district, which is governed by state law and its own policies. Thus, a finding by the Grand Jury that an unnamed Board Member is unaware of an unnamed County policy is vague and confusing. Board Members regularly obtain training on laws and policies that relate to the governance of California public cemeteries.

- F33. The current GM has plans to make changes within the District. The goals include:*
- a. Review and update the employee handbook*
 - b. Improve the grounds and landscaping; trim trees, plant grass, and develop more burial space*
 - c. Improve community relationships and public interest*
 - d. Work cohesively with the Board to keep them informed and work cooperatively*
 - e. Improve the internet service for the District (drop DSL; add a satellite dish)*
 - f. Review and update Board Policies on an ongoing basis (some are dated 1989, 1991, and 2004)*
 - g. Work closely and visit each employee daily to improve their work ethic*
 - h. Work on "THE DETAILS"*

RESPONSE: AGREE.

- F34. During the Committee inspection of the Pomfret Memorial Pioneer Cemetery, the following was observed:*
- a. There was a four foot chain link fence surrounding known marked graves, approximately 1/2 acres*
 - b. The entrance gate was locked with a pad lock*
 - c. Pecan trees were planted directly east of the fence*
 - d. A cell tower and more pecan trees were north of the fence*

- e. *Grass and weeds were around the fenced area*
- f. *The sign was in need of repair and hard to read*
- g. *Approximately ten graves were marked and had plastic flowers*

RESPONSE: The survey of the cemetery boundaries has now been completed and the cemetery will proceed accordingly. The cell tower is not located on District property.

F35. The District's legal counsel had been in negotiations with the neighboring farmer regarding property boundaries. As of February 2017, no settlement had been reached. The District is in the process of obtaining a legal survey of the property in dispute, to determine ownership of the cemetery property.

RESPONSE: See response F34 above.

R1. The Kern County Board of Supervisors should consider appointing several NEW Board Members to the North Kern Cemetery District. At least two Board Members' actions are preventing the Board to function without conflict.

RESPONSE: DISAGREE. The Trustees have made a commitment to work cooperatively. While strong opinions may be expressed, they will be done in a respectful manner. As an independent special district, the Board of Supervisors cannot dictate how certain Trustees should vote and cannot remove Trustees on that basis. The Board of Supervisors has appointment powers only. It may determine who should be appointed or re-appointed when the Trustees' terms expire.

R2. The District should adopt new policies and procedures for collecting and depositing funds daily. (Findings 15 and 33)

RESPONSE: As described earlier, fiscal policies and actions have already been adopted and the District is committed to maintaining and enforcing said policies and procedures. Annual audits are conducted by one firm and monthly audits are conducted by a separate firm.

R3. District Office personnel who receive funds should be bonded and trained on how to process receipts. No other District staff should accept payments and/or handle receipts. (Findings 13, 15, 16, 17, 24, and 25)

RESPONSE: PARTIALLY AGREE. As explained above, staff no longer accepts cash. Only office personnel accept payments. The liability risk insurance includes bonding coverage for staff. The finances are audited annually by one accounting firm and audited monthly by a different accounting firm.

R4. The District should update, repair, or replace the current vault and keep it functional. (Finding 16)

RESPONSE: PARTIALLY AGREE. Vaults and safe had already been repaired prior to the Grand Jury inquiry.

R5. The District should no longer accept payments when trained personnel are not present. (Findings 16 and 24)

RESPONSE: AGREE. Only trained office staff can accept payments.

R6. *The District should implement all recommendations from the Year End Audit Reports provided by accounting Firm #3. (Finding 22)*

RESPONSE: AGREE.

R7. *The Kern County Auditor/Controller/County Clerk should review and make comments and/or recommendations to assist the District in meeting the Year End Audit Report Recommendations. The Kern County Auditor should request information from the District when a Year End Audit Report is not received in a timely manner. (Finding 14 and 22)*

RESPONSE: AGREE. The District welcomes recommendations and suggestions by County Auditors as it would its own auditors and other esteemed financial auditor institutions.

R8. *The District should review and update Board Policy regarding e-mails, process of handling information, posting agendas, and posting minutes to be in compliance with the Ralph M. Brown Act. (Findings 4, 5, 28, and 29)*

RESPONSE: AGREE. The Trustees have all completed the mandatory AB1234 Ethics training, which also includes significant coverage of the Brown Act. In addition, Trustees have been provided a memorandum summarizing the Brown Act. Education and training in this area is on-going.

R9. *To avoid conflict of interests, District Board members should be trained and informed on the recusal process. (Findings 29, 30, and 32)*

RESPONSE: PARTIALLY AGREE. See above. To clarify, the allegation that Board Members did not recuse themselves at a public hearing is inaccurate. See above regarding AB1234 training, which also includes recusal procedure.

The Board of Trustees appreciates this opportunity to address the issues raised by the Grand Jury, and to provide an update of actions taken as well as activities underway to bring the North Kern Cemetery District to a higher level of professionalism and service to its constituents. Please do not hesitate to contact the District should you require further information.

Very truly yours,

NORTH KERN CEMETERY DISTRICT



Board of Trustees

cc: Kern County Board of Supervisors

Kern County Board of Supervisors
Response to Grand Jury Final Report
North Kern Cemetery District

Response to Findings:

The Board of Supervisors notes that the Grand Jury's findings are substantially correct.

Response to Recommendations:

R1: The Kern County Board of Supervisors should consider appointing several new Board Members to the North Kern Cemetery District. At least two Board Members' actions are preventing the Board to function without conflict.

We concur with the Grand Jury's recommendation to consider appointing new Board Members to the North Kern Cemetery District. The District can remove Board Members, but the Board of Supervisors cannot. The Board of Supervisors will have an opportunity to consider appointing new Board Members once their existing terms are up.

R7: The Kern County Auditor/Controller/County Clerk should review and make comments and/or recommendations to assist the District in meeting the Year End Audit Report Recommendations. The Kern County Auditor should request information from the District when a Year End Audit Report is not received in a timely manner.

We concur with the Auditor-Controller-County Clerk's response that they will follow up when an audit is not filed timely and answer recommendation questions.

QUAIL VALLEY WATER DISTRICT

A Vast Canyon with Little Water

PREFACE:

There is a small water district in the hills east of Tehachapi that serves only 58 connections. The Quail Valley Water District (District) covers 22 square miles with 700 parcels, and has one of the most expensive water rates in Kern County. This may not be due to the cost of producing water, but rather the cost to distribute water through miles of pipelines to such a small number of residents.

PURPOSE OF INQUIRY:

The 2016-2017 Kern County Grand Jury (Grand Jury) Special Districts Committee (Committee) received a complaint and conducted an investigation into the operation and management of the Quail Valley Water District pursuant to Penal Code §§925 and 933.5.

PROCESS:

The Committee reviewed the District website, inspected the District, and interviewed the District Manager (DM) and District Secretary at the Quail Valley Water District Office, 24750 Sand Canyon Road, Tehachapi, California 93561. The Committee performed internet searches on California Government Codes, California Water Codes, and reviewed the District's financial statements and past minutes.

BACKGROUND AND FACTS:

The Quail Valley Water District was formed November 16, 1966, under California Water Code §29532. The District encompasses an area of 22 square miles located northeast of the City of Tehachapi, in the Sand Canyon area of Kern County. The District was formed to obtain, develop, and deliver domestic water within their boundaries. The District is governed by a five member elected Board of Directors comprised of landowners within the District. Board Members are elected to a four year term.

- A. On January 10, 2016, the District Board adopted RESOLUTION NO. 01—2016, accepting the donation of Lot 30 of Tract 3312 from a local resident.
- B. California Water Code 31000, et seq.:
 - Section 31040, "A district may take any property necessary to carry out the business of the district by grant, purchase, gift, devise, condemnation, or lease with or without the privilege of purchase."

- Section 31041, “A district may hold, use, enjoy, lease or dispose of property within or without the district necessary to the full exercise of its powers.”
 - Section 31045, “A district may, on terms and conditions agreed upon by the board of directors of the municipal water district formed pursuant to the Municipal Water District Act of 1911:”
 - “(a) Transfer, sell, lease, or convey to the municipal water district any works, land, or structures within any improvement district formed pursuant to any of the provisions of this division.”
- C. Within the boundaries of the District; private wells and Pinon Valley Water Company also supply water for a small number of residents.
- D. The District supplies potable water with no fire hydrants. All new private wells must be permitted and approved by the District.
- E. Within the District boundaries, the District owns Lot 197 of Tract 3312, comprised of five acres. This is the site for the Mountain Valley Water System which has five connections, including three active connections in the Mountain Valley Home Owners Association (HOA). This system is a small tank that is not connected to the Quail Valley East or West Water Systems. The District pays the HOA a \$120 association fee per year.

FINDINGS:

- F1. On September 24, 2016, the District Board adopted RESOLUTION NO. 05-2016, declaring Lot 30 of Tract 3312 as surplus, while simultaneously authorizing the sale of the same property.
- a. **“NOW, THEREFORE, BE IT RESOLVED AND ORDERED,** The Board of Directors of Quail Valley Water District declares Lot 30 of Tract 3312, unincorporated area of Kern County, California, to be surplus property of Quail Valley Water District; and **FURTHER,** accepts the offer of [name deleted] to purchase Lot 30 of Tract 3312 for the sum of \$2,500.00.”
 - b. “Vote was, AYES: five, NOES: None”
- F2. The District Manager bought lot 30 to qualify to run for election to the Board of the Mountain Valley Home Owners Association.
- F3. The District Manager uses personal finances and equipment to subsidize the District’s financial situation. The DM loaned the District \$10,000, which was repaid in January of 2017. The DM sold a 1985 Ford C700 truck to District for \$500, with an option to repurchase at the same price. The District employees use the DM’s tools and equipment for repairing the District’s water system.

The DM uses a personal vehicle for meter reading, inspections, and other District travel, and requests mileage reimbursement.

- F4. There are currently 58 active water metered connections within the District.
- F5. The District employs a full-time District Manager, a half-time District Secretary, and a part-time field employee.
- F6. District Board meetings are held on the last Saturday of the month, with no scheduled meetings in November and December due to the holidays. Board Members are not compensated for meetings. The flag salute is not a part of the meeting.
- F7. The meters are read manually once a month. The District offers monthly invoices by email, and also accepts payments by credit card through the use of QuickBooks.
- F8. The District has not yet considered forming a Strategic Plan for its Sustainable Groundwater Management (SGM) Program.
- F9. The District has entered into an agreement with the "*California State Water Resources Control Board under the provisions of the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006*, under Public Resources Code, §75022," for a \$5.8 million grant, (reimbursement on approval) to meet the State Water Quality Standards. Eight miles of new pipe will be added to the East and West Water System connections, and a water treatment plant will be added to remove iron and manganese from the water. The project will also allow three wells to exceed the State Water Standards for arsenic, fluoride and antimony to be placed in stand-by service mode. To date, approximately \$600,000 of the \$5.8 million grant has been spent. The District has a \$1 million line of credit to pay the construction costs while waiting for reimbursement. The contract for the Grant was executed on December 8, 2015, for a term of three years. Phases 2, 3, and 4 have yet to go to bid. The engineering firm is working on the final design and bid documents.
- F10. The Grant requires the District to have an annual year-end audit at a cost of \$5,500 per year.
- F11. The District Board Policies and Procedures are still under review for modifications. These policies have not been adopted by the Board.
- F12. On November 21, 2016, the Board received the *Basic Financial Statements and Supplementary Information, Year Ended June 30, 2016*, from their Certified Public Accountant. To date, neither the District Board, nor the DM, or the Kern County Auditor-Controller-County Clerk has addressed the

Management Discussion and Analysis, or the Notes to Financial Statements of the financial report.

- F13. On the date of the Grand Jury inspection, the connection fee for water service was \$6,500. Starting April 1, 2017, the connection fee will return to the former rate of \$9,500, of which \$7,000 is allocated to the Capital Investment Fund for the District.
- F14. The Total Revenue for 2016 was \$113,052, a decrease of \$18,839 from the prior year (down 14.3%).
- F15. The current water rate for a 5/8 X 3/4 inch metered connection is \$77.60 per month and \$4.99 per 100 cubic-feet (748 gallons). Compared to other water districts, this rate is one of highest for Kern County (See Appendix A).

COMMENTS:

The Committee thanks the District Manager and District Secretary for their assistance and cooperation. The Committee understands that the District has a large service area with few connections, which drives the cost of water higher than most districts. When the \$5.8 million grant is completed, the District will be better able to serve the community.

RECOMMENDATIONS:

- R1. The District should update its Board Policies and Procedures and address transactions regarding the sale of surplus property. (Findings 1 and 11)
- R1. The District should implement any recommendations and/or findings from the Basic Financial Statements and Supplementary Information provided by the Certified Public Accountant's reports. (Findings 10 and 12)
- R2. The Kern County Auditor-Controller-County Clerk should review and comment on the findings from the annual Basic Financial Statements and Supplementary Information provided by the Certified Public Accountant's reports. (Finding 12)

NOTES:

- The Kern County Auditor-Controller-County Clerk and the Quail Valley Water District should post a copy of this report where it will be available for public review.
- Persons wishing to receive an email notification of newly released reports may sign up at: www.co.kern.ca.us/grandjury.
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website: www.co.kern.ca.us/grandjury.

RESPONSE REQUIRED WITHIN 60 DAYS (Kern County Auditor-Controller-County Clerk):

RESPONSE REQUIRED WITHIN 90 DAYS (Quail Valley Water District):

**PRESIDING JUDGE
KERN COUNTY SUPERIOR COURT
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301**

**CC: FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301**



Mary B. Bedard, CPA
Auditor-Controller-County Clerk

KERN COUNTY AUDITOR-CONTROLLER-COUNTY CLERK
1115 Truxtun Avenue, 1st and 2nd Floor • Bakersfield, CA 93301-4639

May 9, 2017

The Honorable Charles R. Brehmer, Presiding Judge
Kern County Superior Court
1415 Truxtun Avenue
Bakersfield, CA 93301

The 2016-17 Kern County Grand Jury released a report of their findings and recommendations for Quail Valley Water District on April 24, 2017. Below is my response to the findings and recommendations relating to the Auditor-Controller's Office:

Finding 12. On November 21, 2016 the Board received the *Basic Financial Statements and Supplementary Information, Year Ended June 30, 2016*, from their Certified Public Accountant. To date, neither the District Board, nor the DM, or the Kern County Auditor-Controller-County Clerk has addressed the Management Discussion and Analysis, or the Notes to Financial Statements of the financial report.

The Auditor-Controller's responsibility regarding special district audits is specified in Government Code section 26909, which requires special districts to file their audit reports with the Auditor-Controller. The Management Discussion and Analysis is a required part of the financial statements and is the responsibility of management. The Notes to Financial Statements are an integral part of the financial statements and are included in an audit. Both were included in the Quail Valley Water District's financial statements.

Recommendation 2. The Kern County Auditor-Controller-County Clerk should review and comment on the findings from the annual Basic Financial Statements and Supplementary Information provided by the Certified Public Accountant's reports. (Finding 12).

The Independent Auditor stated that, in his opinion, the financial statements present fairly, in all material respects, the respective financial position of the Quail Valley Water District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

The Independent Auditor included a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. In planning and performing the audit of the financial statements, the Auditor considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the

effectiveness of the District's internal control. Accordingly, he did not express an opinion on the District's internal control. He did indicate that during the audit he did not identify any deficiencies in internal control that he considered to be material weaknesses, although material weaknesses may exist that have not been identified.

The Independent Auditor performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of the audit, and accordingly, he did not express such an opinion. The results of his tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sincerely,

A handwritten signature in black ink that reads "Mary B. Bedard". The signature is written in a cursive style with a large, looped initial "M".

Mary B. Bedard, CPA
Auditor-Controller-County Clerk

cc: Kern County Grand Jury Foreperson
County Administrative Officer
Clerk of the Board

APPENDIX: A



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QUAIL VALLEY WATER DISTRICT

APPENDIX A
2017

WATER RATES-Potable

1.4.3.	Monthly Meter Charge (5/8"X3/4")	\$77.66	Each Month
1.4.3.	Monthly Meter Charge (3/4")	\$77.66	Each Month
1.4.3.	Monthly Meter Charge (1")	\$89.31	Each Month
1.4.4.1.	Consumption Charge	\$4.99	Each 100 cuft (748 Gal)

WATER RATES-Non Potable

1.4.3.	Monthly Meter Charge (1")	\$115.50	Each Month
1.4.4.2.	Consumption Charge	\$3.74	Each 100 cuft (748 Gal)

MISCELLANEOUS FEES

1.5.4.	Emergency Shutoff Charge	\$150.00	Each Occurrence
1.5.5.	Meter Test Charge	\$250.00	Each Occurrence
1.5.2.	48 Hour Notice	\$30.00	Each Occurrence
1.6.2.7.	Returned Check Charge	\$30.00	Each Occurrence

24750 SAND CANYON ROAD • TEHACHAPI, CALIFORNIA 93561 • 661-822-1923 • FAX 661-822-1923
www.qvwd.org

1.6.3.3.	Late Charge	10% of balance due for first 30 days	1-1/2% each additional 30 day period
1.5.7.	Re-connection Charge (service disconnected for non-payment, unauthorized use, etc.)	\$250.00	Each Occurrence
1.5.6.	Missing or Damaged Lock Charge	\$30.00	Each Occurrence
1.5.8.	Remove Meter Charge (meter removed to prevent unauthorized use of water following disconnection of service and subsequent unauthorized use of water)	\$400.00	Each Occurrence
1.5.1.	Account Setup / Transfer Charge	\$150.00	Each Occurrence
1.5.3.	Damage To District Property	Actual Cost To Repair	

NEW SERVICE CONNECTION

1.13.	Connection Fee 5/8"X3/4" Meter	\$2,500.00	Each Connection
1.13.	Connection Fee 3/4" Meter	\$3,000.00	Each Connection
1.13.	Connection Fee 1" Meter	\$3,500.00	Each Connection
<hr/>			
1.16.	Capital Improvement Fee 5/8"X3/4" Meter	\$7,000.00	Each Connection
1.16.	Capital Improvement Fee 3/4" Meter	\$10,500.00	Each Connection
1.16.	Capital Improvement Fee 1" Meter	\$17,500.00	Each Connection
<hr/>			
1.15.	Assessment Parity Charge	\$200.00	Per Acre In Excess of 3 Acres
1.18.	Contribution for Existing Facilities	\$4.00	Per Inch Diameter Per Foot Length



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QUAIL VALLEY WATER DISTRICT

BOARD OF DIRECTORS

Jim Boatman
Matt Daggett
Rita Leonard
Enrique Lopez
Dick Sims

June 5, 2017

Presiding Judge
Kern County Superior Court
1415 Truxton Ave., Suite 212
Bakersfield, CA 93301

RE: April 24, 2017 Grand Jury Report

Quail Valley Water District would like to thank the Grand Jury for their review of the operation of the District and submits the following response to the Grand Jury Report on the operation and management of Quail Valley Water District released on April 24, 2017.

FINDINGS:

F1: Quail Valley Water District concurs with the finding.

F2: Quail Valley Water District partially concurs with the finding. The purchase in question was also for the purpose of providing additional funds to the District to improve cash-flow.

F3: Quail Valley Water District concurs with the finding.

F4: Quail Valley Water District concurs with the finding.

F5: Quail Valley Water District concurs with the finding.

F6: Quail Valley Water District concurs with the finding.

F7: Quail Valley Water District concurs with the finding.

F8: Quail Valley Water District concurs with the finding.

F9: Quail Valley Water District concurs with the finding.

F10: Quail Valley Water District partially concurs with the finding. The requirement of an annual audit is a condition of the lender providing the line of credit to the District that

enables the District to pay our contractors in a timely fashion while waiting for reimbursement of expenses under the Grant.

F11: Quail Valley Water District concurs with the finding.

F12: Quail Valley Water District partially concurs with the finding. A draft of the Basic Financial Statements and Supplementary Information was reviewed by the Board at the Regular Meeting of the Board on December 17, 2016 and was approved with minor corrections at that time.

F13: Quail Valley Water District concurs with the finding.

F14: Quail Valley Water District concurs with the finding.

F15: Quail Valley Water District concurs with the finding.

RECOMMENDATIONS:

R1: Quail Valley Water District continues to draft and adopt policies, rules and regulations pertaining to the operation of the District. The District will assign a higher priority to adopting Board Policies and Procedures as well as disposal of surplus property and expects to have these policies in place within 12 months.

R1: The Board of Directors of Quail Valley Water District again reviewed the Basic Financial Statements and Supplementary Information at the Regular Meeting of the Board on April 29, 2017 and did not find any recommendations requiring implementation.

R2: Kern County Auditor-Controller-County Clerk responded to this recommendation on April 9, 2017 and no further response is offered by Quail Valley Water District.

We trust our responses are complete and satisfactory. If any further clarification or documentation is required, please do not hesitate to contact the District.



Matthew Daggett
Board President

Kern County Board of Supervisors
Response to Grand Jury Final Report
Quail Valley Water District

Response to Findings:

The Board of Supervisors notes that the Grand Jury's finding F12 and the additional clarification described in the Auditor-Controller-County Clerk's response is substantially correct.

Response to Recommendations:

R2: The Kern County Auditor-Controller-County Clerk should review and comment on the findings from the annual Basic Financial Statements and Supplementary Information provided by the Certified Public Accountant's reports.

We concur with the Auditor-Controller-County Clerk's response which included their review and comments to the report.

SOUTH FORK MOSQUITO ABATEMENT DISTRICT SMALL DISTRICT FIGHTING SMALL PEST

PURPOSE OF INQUIRY:

California Penal Code §§925 and 933.5 authorizes the 2016-2017 Kern County Grand Jury (Grand Jury) to conduct an inquiry/investigation into any special legislative district within Kern County.

PROCESS:

The Special Districts Committee (Committee) conducted an interview with the District Clerk for the South Fork Mosquito Abatement District (District) to outline the management and operations of the District. The Committee attended the May 15, 2017, Regular Meeting of the District Board of Directors. The Committee reviewed previous Grand Jury reports, District financial reports, and past minutes.

BACKGROUND and FACTS:

The South Fork Mosquito Abatement District was established by the Kern County Board of Supervisors Resolution No. 69-387 of June 9, 1969, pursuant to Sections 2024 and 2023 of the California Health and Safety Code.

- A. The five members of the District Board of Directors are appointed by the Board of Supervisors from electors residing within the District:
 - With a two or four year term at the direction of the Board of Supervisors
 - Shall serve without compensation
- B. The District Board members have:
 - Completed ethics, leadership and Ralph M. Brown Act training
 - Form 700 forms on file
- C. Two employees oversee the day-to-day operations of the District:
 - District Manager/Pesticide Applicator: Part-time, hourly
 - District Clerk: Part-time, monthly stipend
- D. According to the Boards, Commissions, and Committees, Kern County Board of Supervisor: the objective of the District "...shall be the progressive elimination of mosquito-breeding places, the objective to be accomplished by an educational service on control measures, performing services of temporary relief control, establishing projects of source reduction, using abatement procedure methods when necessary, and general policy of cooperation."

- E. The District does not have an office or website. District Board meetings are scheduled as needed at the Weldon Methodist Church, with rent of \$150 per year.
- F. Revenue for the District is generated from a \$25 property tax per dwelling unit in the Weldon and Onyx areas of the South Fork, in the Kern River Valley.
- G. The District is approximately 20 square miles, with an estimated 900 dwellings.

FINDINGS:

- F1. The last Year End Audit for the District was completed for fiscal year ending June 30, 2010. (See Appendix A)
- F2. The District maintains two accounts with the County of Kern: Fund 42325 (Operating) and Fund 42326 (Capitol Reserve). (See Appendix B)
- F3. Monthly payroll and bills are paid through a local checking account.
- F4. As of the date of this report, total cash on hand is approximately \$84,000.
- F5. Current Inventory stored on private property:
 - a. F-350 Ford pickup
 - b. Mounted sprayer
 - c. Fogger
 - d. Hand pack sprayer
 - e. Seatrain container for storage
 - f. Pesticide material
- F6. The District expenses for the past six years were below budget, due to the drought and lack of standing water producing mosquitoes, lessening the need for abatement.
- F7. The District is a member of the California Special Districts Association and the Mosquito-Vector Control Association of California which provides advice, training, and liability insurance. Combined cost for both memberships is approximately \$460 per year.
- F8. The existing sprayer and fogger are not capable of meeting the calibration standard for applying pesticides. The District has submitted a "Notice of Intent" to the Office of Emergency Services to apply for a Grant of \$16,800.16, toward the purchase of a sprayer and pesticide materials; the remaining \$5,614.08 will be provided by the District.

- F9. The District is adopting a Board Policy for “Reimbursements for Service Outside of the Area” to include:
- a. Mileage
 - b. Hourly labor costs
 - c. Cost of materials
 - d. Taxes
 - e. Billing charge
- F10. The District is contracting with an accounting firm to complete the year ending June 30, 2016 Year End Audit.
- F11. The Board agenda is only posted at the Weldon Methodist Church.
- F12. Board Meeting minutes are not posted.

COMMENTS:

The Committee thanks the South Fork Mosquito Abatement District Board, Clerk of the Board, and District Manager for providing information and their hospitality.

RECOMMENDATIONS:

- R1. The District should complete and submit the required Year End Audits that have not been submitted. (Finding 1)
- R2. The District should meet all legal requirements in performing Year End Audits or apply for an exemption through the Kern County Board of Supervisors, as per recent legislation. (Finding 1)
- R3. The District should post approved Board Meeting Minutes in a public location. (Finding 12)

NOTES:

- The South Fork Mosquito Abatement District should post a copy of this report where it will be available for public review.
- Persons wishing to receive an email notification of newly released reports may sign up at: www.co.kern.ca.us/grandjury.
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website: www.co.kern.ca.us/grandjury.

RESPONSE REQUIRED WITHIN 90 DAYS:

**PRESIDING JUDGE
KERN COUNTY SUPERIOR COURT
1415 TRUXTUN AVENUE, SUITE 212
BAKERSFIELD, CA 93301**

**CC: FOREPERSON
KERN COUNTY GRAND JURY
1415 TRUXTUN AVENUE, SUITE 600
BAKERSFIELD, CA 93301**

APPENDICES:

Appendix A: Kern County Auditor-Controller-County Clerk letter



Mary B. Bedard, CPA
Auditor-Controller-County Clerk

KERN COUNTY AUDITOR-CONTROLLER-COUNTY CLERK
1115 Truxtun Avenue, 1st and 2nd Floor • Bakersfield, CA 93301-4639

March 30, 2017

Bruce Hafenfeld
President
South Fork Mosquito Abatement District
P. O. Box 750
Kernville, CA 93238-1298

by email: bhafenfeld@kcwa.com

President Hafenfeld:

Government Code requires that all special districts obtain annual audits. As you are probably aware, the last audit performed by a CPA for the district was completed by Mickey, Casanova and Sack for the fiscal year ended June 30, 2010. Therefore, we are urging the district to contract now for audits of fiscal years ended June 30, 2011 through 2016.

Our records indicate that the district has stated repeatedly that funds have not been available to pay for audits in the past. However, there was no provision in the law to set aside the requirement, plus it would appear that there are sufficient funds available. Please refer to the attached information regarding the district's two County funds.

Once the audits are caught up, we can discuss more recent legislation that might allow for adjustments to the audit schedule.

We would appreciate your attention to this matter. Would you please contact our Audit Division Chief, Tony Jones at (661) 868-3586 to provide a status?

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Mary B. Bedard".

Mary B. Bedard, CPA
Auditor-Controller-County Clerk

MBB/sr

Cc: Genel Hodges, SFMAD

Attachment

Appendix B: Kern County Treasurer's Accounts

South Fork Mosquito Abatement District

Fund 42325		Operating	
Year	June 30 Cash Balance	October 31 Cash Balance	
2010	\$ 5,644.39	\$ 16.03	
2011	\$ 12,718.90	\$ 7,308.30	
2012	\$ 23,370.75	\$ 16,444.45	
2013	\$ 22,952.64	\$ 23,945.28	
2014	\$ 25,141.32	\$ 21,919.44	
2015	\$ 27,465.46	\$ 26,662.60	
2016	\$ 30,737.40	\$ 23,754.62	
March, 2017	\$ 34,153.08	\$ 31,153.08	

Fund 42326		Capital Reserve	
2010	\$ 14,272.73	\$ 14,364.80	
2011	\$ 16,425.31	\$ 16,486.07	
2012	\$ 16,558.42	\$ 16,612.14	
2013	\$ 25,778.23	\$ 25,836.79	
2014	\$ 35,892.00	\$ 35,951.72	
2015	\$ 36,035.13	\$ 36,136.86	
2016	\$ 46,262.91	\$ 46,468.20	
March, 2017	\$ 46,582.23	\$ 46,582.23	

South Fork Mosquito Abatement District

P.O. Box 750

Kernville, CA 93238

(760) 376-3218 ~ sfmadoffice@gmail.com

October 6, 2017

The Honorable Charles Brehmer, Presiding Judge
Kern County Superior Court
1415 Truxtun Ave., Suite 212
Bakersfield, CA 93301

Judge Brehmer

I'm so sorry our response to the Grand Jury's final report on the South Fork Mosquito Abatement District is late. I don't remember receiving a fax of the final report and was not aware of the need for a response.

Regarding your recommendations, we have retained Robert Dennis, CPA to bring our audit status up to date. He is currently working on the audits for the previous years and should have that completed by the end of the year. We will work with Mr. Dennis and the County Clerk to find acceptable ways to comply with all regulations without the need for a full annual audit. Our Board will also discuss ways we can post minutes after the meeting and find a way to post a copy of your report.

It was a pleasure working with the members of the Grand Jury who visited us. Please be assured of our commitment to work with you at any time in the future.

Sincerely



Genel Hodges
Clerk of the Board of Trustees

cc: Kern County Grand Jury Foreperson
1415 Truxtun Ave., Suite 600
Bakersfield, CA 93301