



2016 – 2017

Dwayne Ardis
Foreperson

Bradley Aguilu

R. Renn Amstead

Patricia Boyance

Joellen Carney

Marc Cooter

Mike Elliott

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Patricia Golembefskie

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Kern County
GRAND JURY

June 5, 2017

Jessica Carroll, General Manager
Lebec County Water District

Dear Ms Carroll:

The 2016-2017 Kern County Grand Jury is forwarding to you a Final Report for the Lebec County Water District, that is ready to be released.

Attached is a copy of the Final Report concerning the report, in accordance with the provisions of Penal Code §933, which states:

"A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No office, agency, department, or governing body of a public agency, shall disclose any contents of the report prior to the public release of the final report."

Please note that this report is confidential until public release. The Grand Jury will be releasing this report to the public on **June 8, 2017**. Accordingly, **you are instructed not to disclose the contents of the report until that time.**

Thank you for your consideration and cooperation.

Respectfully,

Dwayne Ardis, Foreperson
2016-2017 Kern County Grand Jury

Attachment: Response Instructions - Penal Code 933

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	550,107.98
Total Checking/Savings	621,423.89
Accounts Receivable	
1200 - Accounts Receivable	30,948.39
Total Accounts Receivable	30,948.39
Other Current Assets	
1260 - Bad Debt Loss A/R	-231.55
Total Other Current Assets	-231.55
Total Current Assets	652,140.73
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	508,952.71
1601 - Chimney Cyn Pump Motor	10,982.70
1602 - Pump Equipment	36,932.00
1631 - Portable Pump	1,864.00
Total Fixed Assets	572,769.41
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

§933. Findings and Recommendations (Excerpt)

No later than 90 days after the grand jury submits a final report on the operations of any public agency subject to its reviewing authority, the governing body of the public agency shall comment to the presiding judge of the superior court on the findings and recommendations pertaining to matters under the control of the governing body, and every election county officer or agency head for which the grand jury has responsibility pursuant to section 914.1 shall comment within 60 days to the presiding judge of the superior court, with an information copy sent to the board of supervisors, on the findings and recommendations pertaining to matters under the control of that county officer or agency head and any agency or agencies which that officer or agency head supervises or controls. In any city and county, the mayor shall also comment on the findings and recommendations. All of these comments and reports shall forthwith be submitted to the presiding judge of the superior court who impaneled the grand jury. A copy of all responses to grand jury reports shall be placed on file with the clerk of the public agency and the office of the county clerk, or the mayor when applicable, and shall remain on file those offices.

As used in this section "agency" includes a department

§933.05. Responses to Findings (Excerpt)

- (a) For purposes of subdivision (b) of Section 933, as to **each** grand jury **finding**, the responding person or entity shall indicate one of the following:
- (1) The respondent agrees with the finding.
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.
- (b) For purposes of subdivision (b) of section 933, as to each grand jury recommendation, the responding person or entity shall report one of the following actions:
- (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
 - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.
- (c) However, if a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the board of supervisors shall respond if requested by the grand jury, but the response of the board of supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.
- (f) A grand jury shall provide to the affected agency a copy of the portion of the grand jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.