

SPECIAL DISTRICTS REVENUES AND RESERVES

REASON FOR INVESTIGATION

The Nevada County Grand Jury, in accordance with California Penal Code Section 933.5, is authorized to examine the books and records of any special-purpose assessing or taxing district. The Little Hoover Commission¹ Report of May 2000 on independent districts in California stated that they have over \$19.4 billion in reserves² and many special districts have excess reserves. The Grand Jury wished to determine if special districts in Nevada County have unnecessarily large reserves.

PROCEDURE FOLLOWED

The Grand Jury contacted each of the 25 independent special districts in Nevada County on October 25, 2002 requesting a copy of the most recent financial audit for the district.

BACKGROUND

The Grand Jury received and reviewed copies of the Little Hoover Commission Report titled *Special Districts: Relics of the Past or Resources for the Future?*, published in May 2000. This report highlighted a lack of governmental control or oversight of special districts within the state. According to the Report, “California has 58 counties, 474 cities – and more than 3,800 special districts. About two-fifths of those districts are considered ‘dependent’ because they are governed by a larger entity, such as a county board of supervisors. But more than 2,200 of these districts are ‘independent’ governed by their own elected bodies, including park districts, water districts, hospital districts and sanitation districts. Many independent districts also are ‘enterprise’ districts, like water and sewer agencies, which directly charge customers fees for the services they provide. Others, such as library and park districts, are ‘non-enterprise’ districts, which rely mostly on property tax revenues to serve their communities.”

¹The Little Hoover Commission is a bipartisan, independent state body that promotes efficiency and effectiveness in state programs. Created in 1962, the commission is formally named the “Milton Marks Little Hoover Commission on California State Government Organization and Economy.” As a member of the Assembly, former Senator Milton Marks authored legislation that created the commission. The Commission is modeled after a federal commission created in 1947 to address the growth of government, chaired by former President Herbert Hoover. The federal panel became known as the “Hoover Commission,” while the California panel has become known as the “Little Hoover Commission.”

²For purposes of this report, the terms *reserves*, *retained earnings*, and *fund balances* are used interchangeably.

FINDINGS

1. The following tables include a listing of each independent special district in Nevada County and the date of the audit submitted in response to the Grand Jury's October 25, 2002 request. The tables also show the amount of operating revenue and reserves reported for the latest audit period, and reserves as a percentage of yearly operating revenue. "Enterprise" and "non-enterprise" districts are shown separately.

TABLE 1

ENTERPRISE DISTRICTS	Fiscal Yr. Ended	Annual Op. Revenue	Reserves(a)	Reserves as a % of Op. Rev.
Donner Summit Public Utility	6/30/01	\$592,312	\$279,446	47%
Kingsbury Greens Community Service	6/30/01	17,461	49,556	284%
Nevada Irrigation	12/31/01	20,876,392	167,327,953	802%
Truckee-Donner Public Utility	12/31/01	15,181,177	22,175,137	146%
Truckee Sanitary	6/30/02	2,311,741	10,765,946	466%
Washington County Water	6/30/02	\$164,025	\$113,817	69%
			AVERAGE	302%

(a) Unreserved(undesignated) funds if broken out in the financial report provided.

TABLE 2

NON-ENTERPRISE DISTRICTS	Fiscal Yr. Ended	Annual Op. Revenue	Reserves(a)	Reserves as a % of Op. Rev.
Bear River Recreation & Park	6/30/01	\$129,154	\$76,850	60%
Beyers Lane Community Service	6/30/00	6,617	6,985	106%
Forty-Niner Fire Protection	6/30/02	584,293	177,068	30%
Higgins Fire Protection	6/30/02	1,007,479	560,388	56%
Lake of the Pines Community Service	6/30/01	49,483	89,473	181%
Mystic Mine Road Community Service	6/30/02	11,849	15,319	129%
Nevada County Resource Conservation	6/30/01	200,765	42,570	21%
Nevada County Cemetery	6/30/02	247,922	25,072	10%
Nevada County Consolidated Fire Protection	6/30/01	1,955,634	85,292	4%
North San Juan Fire Protection	6/30/01	161,162	52,913	33%
Ophir Hill Fire Protection	6/30/00	261,929	79,976	30%
Peardale-Chicago Park Fire Protection	6/30/01	252,304	100,539	40%
Penn Valley Fire Protection	6/30/02	957,305	275,958	29%
Rough & Ready Fire Protection	6/30/02	204,444	1,215	1%
San Juan Ridge County Water	6/30/02	14,789	10,169	69%
Truckee Cemetery	6/30/02	80,476	125,564	156%
Truckee Fire Protection	6/30/01	3,429,925	531,585	15%
Truckee-Donner Recreation & Park	9/30/01	3,344,392	1,078,671	32%
Western Gateway Regional Rec. & Park	6/30/01	\$143,046	\$57,007	40%
			AVERAGE	55%

(a) Unreserved(undesignated) funds if broken out in the financial reports provided.

2. While a significant amount of reserves are held by both enterprise and non-enterprise districts in Nevada County, enterprise districts have a much higher average percentage of reserves to operating revenue (302%) than non-enterprise districts (55%).
3. California Government Code Section 26909(b) requires that an annual audit be completed within 12 months of the end of the fiscal year for every special district. A district may, by unanimous request of its governing board, and with unanimous approval of the Board of Supervisors, replace the annual audit with a biennial audit covering a two-year period. This exemption, provided for in California Government Code Section 26909(f), is not currently in effect for any of the reporting districts.
4. As shown in the non-enterprise table, two of the districts (Ophir Hill Fire Protection and Beyers Lane Community Service) provided audits that are more than two years old. This is a violation of the California Government Code Section 26909(b) requiring annual audits of special districts.
5. Both the 2000 and 2001 audits received from the North San Juan Fire Protection District dated September 30, 2002 were the first audits done by the district since 1999. This is also a violation of California Government Code Section 26909(b) requiring an annual audit of every special district within the county..
6. California Government Code Section 26909(a) and (b) also states that if an audit of a special district is not otherwise provided, the county auditor shall make or contract with an auditor to do so, the costs thereof being charged against the district.
7. The Auditor-Controller's office did remind by letter those districts which were late in filing their yearly audits, but failed to follow up to ensure that an audit was in fact carried out within 12 months of the end of the fiscal year.

CONCLUSIONS

1. The apparent reason "enterprise" district reserves are so high is that in addition to receiving revenue from the county tax roles, these districts charge fees for their services. In many cases the customer base is of considerable size, diverse, and unable to obtain comparable services from a competitive source. These conditions allow the fee structure to remain high with little recourse from the population served..
2. A number of the Special Districts have reserves that appear to be excessive. Two enterprise districts stand out: Nevada Irrigation District with \$167,327,953 which is over eight times its annual operating revenue, and Truckee Sanitary District with \$10,765,946 which is almost five times its annual operating revenue.
3. The Grand Jury found that while financial reports may be prepared according to standard accounting principles, the terminology used is sufficiently inconsistent between districts so as to make it difficult for the public to understand them.

4. The Auditor-Controller is not fulfilling the follow-up requirements outlined in the California Government Code Section 26909 to ensure that annual audits are conducted within the proper time frame.

RECOMMENDATIONS

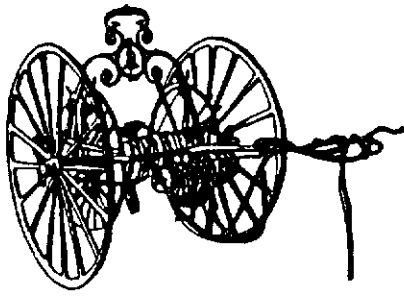
1. Each of the Special Districts listed in the tables should develop written guidelines governing the accumulation of retained earnings, and justify to its constituency that the amount maintained is reasonably prudent.
2. All “enterprise” districts should develop and adopt plans for utilizing any excess retained earnings for the benefit of the public they serve. This could be in the form of rate reductions, reimbursement, or other public benefit.
3. The Nevada Irrigation District and the Truckee Sanitary District should take actions to reduce their reserves to a more reasonable amount.
4. Ophir Hill Fire Protection, Beyers Lane Community Service, and North San Juan Fire Protection districts should take steps to ensure that annual audits are completed in a timely manner according to California Government Code Section 26909.
5. The Auditor-Controller should enforce all provisions of California Government Code Section 26909.
6. The Auditor-Controller should evaluate the County’s authority to mandate clear and consistent terminology and formats for Special District financial reports.
7. Smaller Special Districts should consider taking advantage of the provision in California Government Code Section 26909(f) enabling the replacement of annual audits with biennial audits in order to lower their audit expense.

REQUIRED RESPONSES

Board of Supervisors – July 22, 2003

Auditor-Controller – June 23, 2003

Special Districts – June 23, 2003



**NORTH SAN JUAN
FIRE PROTECTION DISTRICT**

Post Office Box 299
North San Juan, CA 95960
(530) 292-9159
Fax: (530) 292-1417
e-mail: nsjf@jps.net

*Follow-up
then special district*

of 6/26/03

Serving Since 1862

June 6, 2003

The Honorable Ersel L. Edwards
Nevada County Superior Court
201 Church Street
Nevada City, CA 95959

Dear Judge Edwards:

This letter responds to the Grand Jury document "Special Districts Revenue and Reserves."

Regarding Finding #5: "Both the 2000 and 2001 audits received from the North San Juan Fire Protection District dated Sept. 30, 2002 were the first audits done by the district since 1999. This is also a violation of California Government Code Section 26909(b) requiring an annual audit of every special district within the county."

The finding is accurate. We offer an explanation of how the lapse occurred:

In July, 1999 our prior auditor, Lee Brister, CPA, changed firms and was unavailable to perform audits. We hired Chris Wells, CPA, of Nevada City and delivered our records to him in August, 1999. He filed our State Controller's Report but then failed to respond to numerous phone calls. Early in 2000, after no response from Mr. Wells, we retrieved our records and consulted Bruce Bielefeld, County Auditor/Controller for suggestions on other auditors. He recommended Maggie Smith, CPA, but she declined, suggesting Chipman & Renfrow of Yuba City, the firm we hired; they promised our completed audit by the end of 2001 and assigned Mike Smith, CPA to the task. Mr. Smith, however, was relatively new to governmental accounting; in addition, the Board Treasurer's husband died, after which she experienced serious illness. Coincidentally, the department bookkeeper resigned and moved to another state. This made it more difficult to get timely responses to Mr. Smith's inquiries. By April, 2002, the audit of the fiscal years ending June, 2000 and June 2001 was still not completed, though we were assured that completion was imminent. A draft of the audit was presented to our attorney for review in September, 2002. Mike Smith presented the final audit to the Board of Directors in January 2003. The audit of the fiscal year ending June 2002 is nearing completion now and should be presented to the Board in July, 2003.

Regarding Recommendation #1: The District has adopted (6/3/03) guidelines for its accumulation of earnings and has changed its annual budgeting procedures to insure that Contingency accounts are based on no more than 10% of annual operating revenues.

REC'D BY SUPERIOR COURT

DATE:

BY:

6-6-03
[Signature]

The policies adopted by the Board 6/3/03 are as follows:

1. **"Effective with the 2003-2004 Fiscal Year, the District's Contingency Fund will be limited to 10% of all General Fund and Mitigation Fund Revenues."**
2. **"To implement its Master Plan recommendations for Capital Equipment, the District will attempt to accrue 25% of the purchase price of new firefighting apparatus (engines) before entering into lease-purchase agreements for such apparatus."**

From at least 1992, our practice had been to limit the Contingency account to 10% of Budgeted Expenditures. This was the procedure used for preliminary and final budgets sent to Nevada County in each year since at least 1992 and was never questioned by the County. Moreover, the procedure was based on forms provided by the County Auditor-Controller. A blank copy of the form, dated 3/92, is attached, showing that Contingencies (line item 56000) are to be limited to 10% of all other budgeted expenditures; a copy of our preliminary budget for 1994-95, using the same format, is also attached.

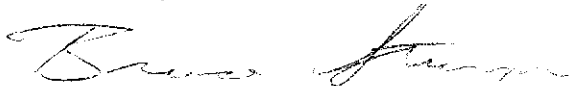
In addition, none of the District's auditors questioned this procedure. Our Boards of Directors, Treasurers and bookkeepers for over a decade believed the procedure to be correct. Since our District operates on such a limited budget, it is not in our interests, nor have we had any intent to establish a Contingency fund which is higher than necessary or prudent. Consequently, we particularly value this recommendation from the Grand Jury, which helps us increase the funds available for daily operations.

Regarding Recommendation #4:

The Recommendation has been implemented. In October, 2002, the Board contracted with an outside bookkeeping firm. At its June, 2003 meeting the Board hired a Business Manager to oversee all of its financial operations, record-keeping and reporting; this is a salaried position new to the District, replacing services performed by the department secretary and voluntarily by the former Board Treasurer. This combination of outside professionals with experience in government accounting should help insure that lapses in reporting do not occur and that follow-up with auditors is accomplished expeditiously. The use of both a bookkeeper and Business Manager should also minimize the effect of illness, hardship or personnel change on the District's financial records.

The Board intends to contract with an outside accounting firm for the audit of the current fiscal year as soon as the audit of 2001-2002 is completed.

Sincerely,



Bruce Sturm
Treasurer, Board of Directors

Enclosures

District _____

CLASS I (Salaries & Employees Benefits)

51010	Permanent Salaries	Amount: _____
51020	Temporary Salaries	_____
51030	Retirement Benefits	_____
51040	Group Insurance	_____
	TOTAL SALARIES & BENEFITS	_____

J

CLASS II (Services & Supplies)

52000	Miscellaneous Expense	_____
52010	Agricultural Supplies	_____
52020	Clothing & Personal	_____
52030	Communications	_____
52050	Food	_____
52060	Household Expense	_____
52070	Insurance	_____
52090	Maintenance - Equipment	_____
52100	Maintenance - Structures	_____
52120	Memberships	_____
52130	Medical, Dental, Lab Supp	_____
52140	Office Expense	_____
52150	Professional & Special Services	_____
52170	Rents & Leases - Equipment	_____
52180	Rents & Leases - Structures	_____
52190	Small Tools	_____
52200	Special District Expense	_____
52220	Transportation - Travel	_____
52230	Gasoline	_____
52240	Utilities	_____
	TOTAL SERVICES & SUPPLIES	_____

K

CLASS III (Other Charges)

53130	Repayments - Long Term Debt	_____
53140	Interest - Long Term Debt	_____
	TOTAL OTHER CHARGES	_____

L

CLASS IV (Fixed Assets)

54010	Land	_____
54020	Structures & Improvements	_____
54030	Office Equipment	_____
54040	Automotive Equipment	_____
54050	Other Equipment	_____
	TOTAL FIXED ASSETS	_____

M

CLASS V (Other Financing Uses)

55070	Transfers Out - Operating	_____
-------	---------------------------	-------

N

CLASS VI (Appropriation for Contingencies)

56000	Provisions for Contingencies (Limit to 10% of above)	_____
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O

TOTAL BUDGET

(J + K + L + M + N + O = P)

Note: "P" must equal "I"

\$ _____ P

18

BUDGET REQUEST

AUDITOR-CONTROLLER
9495PBUD.XLS
COUNTY OF NEVADA

NORTH SAN JUAN FIRE PROTECTION DISTRICT

PRELIMINARY BUDGET

29550 Cash on hand and in County Treasury as of June 30, 1994

\$92,942.75 A

ESTIMATED REVENUE FROM PROCEEDS OF TAXES

AMOUNT:

40010	Current Secured Taxes	\$77,666.22
40020	Prior Secured Taxes	(\$1.97)
40030	Current Unsecured Taxes	\$713.22
40040	Prior Unsecured Taxes	\$12.99
40050	Penalties/Interest Delinquent	
40130	Timber Tax	
40140	Augmentation	
40170	Supplemental Secured Tax	\$346.52
40180	Supplemental Unsecured Tax	
40270	Supplemental Prior Secured	
40280	Supplemental Prior Unsecured	
	TOTAL ESTIMATES TAXES	

\$78,736.98 B

ESTIMATED REVENUE FROM LICENSES AND PERMITS

41100 Other Licenses and Permits

\$0.00 C

ESTIMATED REVENUE FROM FINES & FORFEITURES

42100 Other Fines & Forfeitures

\$0.00 D

ESTIMATED REVENUE FROM USE OF MONEY

43010	Interest	\$2,732.60
43020	Rents and Concessions	
	TOTAL USE OF MONEY	

\$2,732.60 E

ESTIMATED REVENUE FROM INTERGOVERNMENTAL SOURCES

44190	ST Homeowners Prop Tax Reim	\$538.57
44440	ST - Fire Reimbursement	\$2,455.00
44590	ST - Other	
	TOTAL EXTIMATED REVENUE	

\$2,993.57 F

ESTIMATED REVENUE FROM CHARGES FOR CURRENT SERVICE

45170	Special Assessments	\$49,990.56
45800	Other Charges for Service	
	TOTAL CHARGES FOR CURRENT SERVICE	

\$49,990.56 G

ESTIMATED REVENUE FROM OTHER SOURCES

46060	Sale of Fixed Assets	
46070	Other Sales	
46200	Other	
46300	Debt Proceeds - Long Term	\$10,182.37
46400	Transfers in - Operating	
48060	Donations	
	TOTAL REVENUE FROM OTHER SOURCES	

\$10,182.37 H

TO REVENUE AVAILABLE TO FINANCE CURRENT BUDGET

(A + B + C + D + E + F + G + H = I)

\$237,578.83 I

Note: "I" must equal "P"

NORTH SAN JUAN FIRE PROTECTION DISTRICT

CLASS I (Salaries & Employee Benefits)		Amount:	
51010	Permanent Salaries	\$10,000.00	
51020	Temporary Salaries	\$1,000.00	
51030	Retirement Benefits	\$0.00	
51040	Group Insurance (ST Comp)	\$5,000.00	
	TOTAL SALARIES AND BENEFITS		\$16,000.00 J
CLASS II (Services & Supplies)			
52000	Miscellaneous Expense	\$500.00	
52010	Agricultural Supplies	\$0.00	
52020	Clothing & Personal	\$1,750.00	
52030	Communications	\$5,500.00	
52050	Food	\$200.00	
52060	Household Expense	\$300.00	
52070	Insurance (Bldg & Veh)	\$7,000.00	
52090	Maintenance - Equipment	\$12,000.00	
52100	Maintenance - Structures	\$8,000.00	
52120	Memberships	\$1,700.00	
52130	Medical Supplies	\$4,000.00	
52140	Office Expense	\$2,500.00	
52150	Professional/Special Services	\$8,000.00	
52160	Publications/Legal Services	\$2,000.00	
52170	Rents & Leases - Equipment	\$0.00	
52180	Rents & Leases - Structures	\$0.00	
52190	Small Tools	\$600.00	
52200	Special Department Expense	\$7,500.00	
52220	Transportation/Travel	\$500.00	
52230	Gasoline	\$3,000.00	
52240	Utilities	\$2,000.00	
52260	Training/Instructional Materials	\$3,500.00	
	Total Services & Supplies		\$70,550.00 K
CLASS III (Other Charges)			
53130	Repayments - Long Term Debt	\$500.00	
53140	Interest - Long Term Debt		
	TOTAL OTHER CHARGES		\$500.00 L
CLASS IV (Fixed Assets)			
54010	Land	\$0.00	
54020	Structures & Improvements	\$83,000.00	
54030	Office Equipment	\$1,500.00	
54040	Automotive Equipment	\$40,000.00	
54050	Other Equipment	\$20,000.00	
	TOTAL FIXED ASSETS		\$144,500.00 M
CLASS V (Other Financing Uses)			
55070	Transfers Out - Operating		\$0.00 N
CLASS VI (Appropriation for Contingencies)			
56000	Provisions for Contingencies (Limit to 10% of above)		\$6,028.83 O
	TOTAL BUDGET		\$237,578.83 P



Nevada County Resource Conservation District

113 Presley Way, Suite 1 - Grass Valley, CA 95945 (530) 272-3417 - FAX (530) 477-8055

*Follow-up
the Special Districts*

June 2, 2003

JV 6/2/03

Honorable Ersel L. Edwards
Presiding Judge of the Superior Court
201 Church Street
Nevada City, CA 95959

Subject: Grand Jury response

Recommendation 1 of the Grand Jury was that each of the Special Districts listed should develop written guidelines governing the accumulation of retained earnings, and justify to its constituency that the amount maintained is reasonably prudent.

The policy of this District is that if the income exceeds the budget by 10% the tax rate will be reduced.

The amount shown in the 2000-2001 budget and through the 2003-2004 budgets show or will show a figure higher than 10%.

This is due to grants received but not yet expended. The money is committed and will be expended in the current fiscal year.

Respectfully submitted by

John V. Taylor

John V. Taylor
President

REC'D BY SUPERIOR COURT
DATE: *6-5-03*
BY: *Ersel Edwards*

PEARDALE-CHICAGO PARK
FIRE PROTECTION DISTRICT
PO BOX 697
CHICAGO PARK CA 95712
530-273-2503

*Follow up
then spec duties*
RECEIVED *J*
JUN 17 2003 *6/26/03*

June 11, 2003

Honorable Judge Ersel L. Edwards
Nevada County Superior Court
201 Church Street
Nevada City CA 95959

Dear Honorable Judge Edwards,

In accordance with section 933.05 of the California Penal Code the Peardale-Chicago Park Fire Protection District is submitting its written response to the 2003 Nevada County Civil Grand Jury Report.

FINDINGS:

#1. We partially disagree with the finding in Table #2. While the annual operating revenue figure is correct, the figure of \$100,539.00 as listed in reserves is in error. This \$110,539.00 is the fund balance in our operating account on hand June 30, 2001. This balance represents the cash on hand necessary for monthly operating expenses. This balance is necessary, as we do not receive additional tax revenue until mid December. Our actual reserves at the end of FY 2001/2002 as listed in our annual audit were \$183,157.00.

#2. We wholly agree with finding #2.

#3. We wholly agree with finding #3.

#4. Based solely on the information contained in the Grand Jury report we wholly agree with finding #4.

#5. Based solely on the information contained in the Grand Jury report we wholly agree with finding #5.

#6. We wholly agree with finding #6.

REC'D BY SUPERIOR COURT
DATE: *6-17-03*
BY: *Ersel L. Edwards*

#7. Based solely on the information contained in the Grand Jury report we wholly agree with finding #7.

RECOMMENDATIONS:

#1. The Board of Directors of the Peardale-Chicago Park Fire Protection District has implemented this recommendation. The Board adopts yearly, by resolution, a five-year capital improvement plan that outlines the expected expenditures from our reserve fund. This plan is used to ensure that adequate funds will be available for capital purchases and infrastructure improvements. The board is very prudent in their spending and strives to have adequate funding on hand at the time of a capital purchase. It is essential that the district set aside funds for these planned purchases.

Our capital improvement plan adoption is duly noted on our posted agenda and is readily available for public review.

#2. Does not apply to us as a non-enterprise district.

#3. Does not apply to our District.

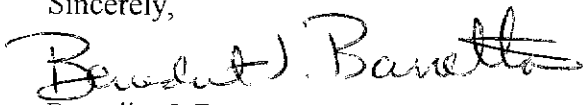
#4. Does not apply to our District.

#5. Does not apply to our District.

#6. Does not apply to our District.

#7. The Peardale-Chicago Park Fire Protection District will continue to have an annual audit performed. The District has had an annual audit performed since its inception in 1964 and feels it is in our best interest and the best interest of our constituents to continue this practice.

Sincerely,

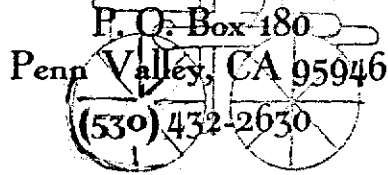


Benedict J. Barretta
Board President

May 8, 2003

**PENN VALLEY
FIRE PROTECTION DISTRICT**

Grand Jury
County of Nevada
950 Maidue Avenue
Nevada City, CA 95959



Dear People:

Re: Your 04/18/03 Letter – 2001/02 Grand Jury Report

Our District's major operating revenue sources are collected through the county and are deposited for our use under the Teeter Apportionments. Specifically, we receive these revenues as follows: 55% each December, 40% each April and 5% each June. Accordingly, the District must operate strictly on its reserves for the period July 1 to December 10. Our District board addressed this issue in a resolution adopted 09/07/99. Please Resolution No. 99-6 attached.

Please note the District's 06/30/02 cash balance was \$243,793.75. On 08/21/02, a transfer of \$48,794.00 was made from the Operating Fund (#745) to the Building & Equipment Fund (#767) in accordance with Resolution No. 99-6. Please see the attached Nevada County Auditor-Controller's Summary of Account Status reports reflecting this transfer.

In accordance with California Penal Code 933.05 (a): The respondent agrees with the finding.

In accordance with subdivision (b) of Section 933, the respondent reports the following action: The Grand Jury's recommendation was previously implemented by our District's adoption of Resolution No. 99-6.

Please let me know if I may be of any further assistance.

Sincerely,


Barbara E. Faleffi
Business Manager

bef/Grand Jury 01-02 Response

Attachments

cc: Board of Directors
Gary Kavanagh, Fire Chief
Margaret R. Smith, C.P.A.
File

PENN VALLEY FIRE PROTECTION DISTRICT

P. O. Box 180
Penn Valley, CA 95946
(916) 432-2630

RESOLUTION NO. 99-6

RESOLUTION AUTHORIZING TRANSFERS OF MONIES INVOLVING BUILDING & EQUIPMENT FUND AND OPERATING FUND FOR FISCAL YEAR 1999/00 AND EACH YEAR THEREAFTER

WHEREAS, California Health & Safety Code Section 13861 (Powers of District) authorizes a district certain rights and powers including, but not limited to, establishing and enforcing rules and regulations for the administration, operation and maintenance of district services,

WHEREAS, California Health & Safety Code Section 13900 (Appropriation Reallocations) authorizes that a district board may make available for appropriation (a) balances in appropriations for contingencies, (b) designations and reserves no longer required for the purpose for which intended, excluding general reserve, balance sheet reserves, and reserve for encumbrances and (c) amounts which are either in excess of anticipated amounts or not specifically set forth in the budget derived from any or anticipated increases in available financing,

WHEREAS, California Health & Safety Code Section 13902 (Capital Outlay Reserve) authorizes at any time, the district board may transfer to its reserve for capital outlays any unencumbered funds remaining at the end of a fiscal year,

WHEREAS, the Penn Valley Fire Protection District Board of Directors, hereinafter referred to as the "Board", has adopted a Mission Statement directing that all goals, objectives, tasks and activities of this agency shall be in the best interests of the citizens of the District,

WHEREAS, the "Board" wishes to maintain a minimum cash balance in operating for the dry period funding,

NOW, THEREFORE, BE IT RESOLVED, that the "Board" authorizes the following transfer of monies each fiscal year:

Penn Valley Fire Protection District
Resolution 99-6 Transfer of Monies

1. The actual cash balance in the operating fund June 30, 2000 and June 30th of each year thereafter, shall be transferred to the Building and Equipment Fund less dry period funding and contingencies identified in #2. Said transfers are for additions to capital outlay reserves, which shall be identified by the "Board" in its annual fiscal year budget.
2. The minimum dry period funding and contingencies shall not exceed \$195,000 (One hundred ninety five thousand dollars) for every fiscal year.

PASSED AND ADOPTED by the Board of Directors of the Penn Valley Fire Protection District at a meeting held on the 7th day of September 1999, by the following vote of said Board:

AYES: Hank Weston, George Mueller, B.H. Nix, Ed DeLaney, Kurt Grundel


NOES: None

ABSENT: None

ABSTAIN: None

 9-9-99
B. H. Nix, Chairman of the Board

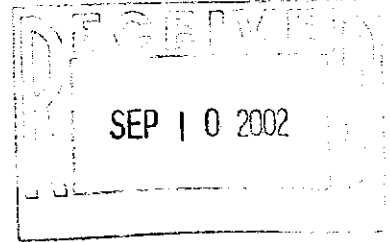
ATTEST:


Debra L. Hughes
Debra L. Hughes
Clerk to the Board

RUN: 05 SEP 2002
 PGM CODE :0000000004
 ACCT: 745-000-1000

NEVADA COUNTY - FMIS
 PENN VALLEY FIRE
 CHAIRMAN

SUMMARY OF ACCOUNT STATUS



PROGRAM CODE...: 0000000004
 PURPOSE CODE...: 0
 FUND GROUP.....: TA2
 EXPIRATION.....: 06/30/90

DELIVER TO:

ALL OBJECTS REPORTED

OBJ	DESC	TOTAL BUDGET	CURRENT EXP/REV	CUMULATIVE EXP/REV	ENCUMBRANCES /COMM/LIENS	BUDGET BALANCE
19000	CASH		-86,160.05	99,317.82		-99,317.82
****	TOTAL		-86,160.05	99,317.82		-99,317.82
***	TOTAL A		-86,160.05	99,317.82		-99,317.82
****	ACCT T		-86,160.05	99,317.82		-99,317.82

TRANSACTION DETAIL

TRANS DATE	JOUR TYPE	TRAN CODE	DOCUMENT REFERENCE	BATCH NUMBR	TRANSACTION DESCRIPTION	TRANSACTION AMOUNT
OBJECT CODE 19000 CASH						
08/01	CD	APIN		16456	BATCH 16456	-3,627.59
08/06	CD	APIN		16483	BATCH 16483	-4,260.07
08/08	CD	APIN		63269	BATCH 63269	-37,811.11
08/09	CD	APIN		55992	BATCH 55992	-2,290.54
08/06	RE	GAM	08RE02	1502	JUL01 PROP172 ALLOC	5,484.87
08/15	CV	APIN	745-7/16/02	0	SUTTER NORTH MEDICAL FOUNDATIO	120.00*
08/16	CD	APIN		63311	BATCH 63311	-4,682.65
08/19	CDVC	VC	V348728 -	VD2146	VENDORLESS CHECKS	-451.59
08/19	CV	APIN	745-1/22/02	0	KERRI R JULIAN	21.48*
08/21	OD	GAM	08OD02	1502	TRANS TO 767 BLDG & EQUIP	-48,794.00
08/23	CD	APIN		63364	BATCH 63364	-143.96
08/23	CR			0823U	BATCH 0823U PAYMODE 745	20,535.20
08/26	CD	APIN		56162	BATCH 56162	-904.01
08/30	GJ	GAM	08RE57	1502	AUG 02 PROP 172 ALLOC P#51336	4,588.79
08/30	CD	APIN		63397	BATCH 63397	-18,193.55
08/30	MISC	MISC		U0712	T#0712 PR-UNSECURED TAX	13.86
08/30	MISC	MISC		P0802	T#0802 SUP UNS REDEMPTION	7.70
08/30	CR			0830U	BATCH 0830U PAYMODE 745	4,227.12
*****	TOTAL OBJECT CODE 19000					-86,160.05
*****	TOTAL OBJECT CLASS 19					-86,160.05
*****	TOTAL ACCOUNT 745-000-1000					-86,160.05

1/24/02 CK# 319842 = 21.48* PR 02-1. VOIDED 8/19/02 OUT DATED WARRANT
 7/18/02 CK# 344746 120.00** VOIDED 8/15/02

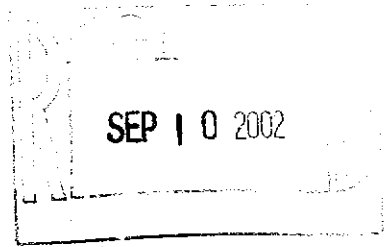
RUN: 05 SEP 2002
 PGM CODE :0000000004
 ACCT: 767-000-1000

NEVADA COUNTY - FMIS
 PENN VALLEY BLDG/EQUIP
 CHAIRMAN

SUMMARY OF ACCOUNT STATUS

PROGRAM CODE....: 0000000004
 PURPOSE CODE....: 0
 FUND GROUP.....: TA2
 EXPIRATION.....: 06/30/90

DELIVER TO:



ALL OBJECTS REPORTED

OBJ	DESC	TOTAL BUDGET	CURRENT EXP/REV	CUMULATIVE EXP/REV	ENCUMBRANCES /COMM/LIENS	BUDGET BALANCE
19000	CASH		-1,242.64	114,127.78		-114,127.78
****	TOTAL		-1,242.64	114,127.78		-114,127.78
***	TOTAL A		-1,242.64	114,127.78		-114,127.78
****	ACCT T		-1,242.64	114,127.78		-114,127.78

TRANSACTION DETAIL

TRANS DATE	JOUR TYPE	TRAN CODE	DOCUMENT OR REFERENCE	BATCH NUMBR	TRANSACTION DESCRIPTION	TRANSACTION AMOUNT
OBJECT CODE 19000						
08/09	CD	APIN		56004	CASH BATCH 56004	-1,006.16
08/16	CD	APIN		63312	BATCH 63312	-46,485.00
08/21	OD	GAM	080D02	1502	TRANS FRM 745 OPERATING	48,794.00
08/21	OD	GAM	080D02	1502	TRANS FRM 753 IMPACT	35,000.00
08/26	CD	APIN		56163	BATCH 56163	-27,577.48
08/30	CD	APIN		63400	BATCH 63400	-9,968.00
*****	TOTAL OBJECT CODE 19000					-1,242.64
*****	TOTAL OBJECT CLASS 19					-1,242.64
*****	TOTAL ACCOUNT 767-000-1000					-1,242.64

BUDGET TRANSACTION DETAIL

TRANS DATE	JOUR TYPE	TRAN CODE	DOCUMENT OR REFERENCE	BATCH NUMBR	TRANSACTION DESCRIPTION	TRANSACTION AMOUNT
*****	TOTAL OBJECT CLASS 19					0.00
*****	TOTAL ACCOUNT 767-000-1000					0.00

*Follow-up Committee
San Juan District*

SAN JUAN RIDGE COUNTY WATER DISTRICT
P.O. Box 196
North San Juan, CA 95960

J 6/24/03

June 19, 2003

Honorable Ersel L. Edwards
201 Church Street
Nevada City, CA 95959

Re: Grand Jury Report

In response to the Grand Jury Report, our agreement & disagreement is as follows:

1. Agree

#2. Agree

#3. The recommendation has not been implemented, but will be implemented in the future, starting with the audit due for 2002.

#4. Does not apply

#5. Does not apply

#6. Agree

#7. Does not apply

If there are any questions about our response, please call me, Nita Browning, Secretary of the San Juan Ridge County Water District. I will pass on any information needed.

Nita S. Browning, Secretary/Treasurer

Nita S. Browning
San Juan Ridge County Water District

REC'D BY SUPERIOR COURT
DATE: *6-29-03*
BY: *Ersel Edwards*

LAW OFFICE OF BRENT P. COLLINSON
ATTORNEYS AT LAW

BRENT COLLINSON
CRAIG C. OSBORNE

MARTIS VALLEY PROFESSIONAL CENTER

9709 HIGHWAY 267
TRUCKEE, CA 96161
(530) 587-9233
(530) FAX 587-0443

*Follow-up
then open district*

[Signature]
6/26/03

June 18, 2003

JUN 20 2003

Honorable Ersel L. Edwards, Presiding Judge
Nevada County Superior Court
201 Church Street
Nevada City, CA 95959

Re: Truckee Cemetery District – Response to Grand Jury Report

Dear Judge Edwards:

Pursuant to Penal Code Sections 933 and 933.05, the Truckee Cemetery District provides the following responses to the Grand Jury's Report published on April 23, 2003:

Finding 1 – Obviously, the Truckee Cemetery District responds only to the finding as to the information provided for them. The District disagrees with the finding that they hold \$125,564 in reserves in that it is believed that that amount includes the District's budget for the entire year.

Finding 2 – The Truckee Cemetery District is unable to respond to this finding except as it pertains to the Truckee Cemetery District.

Finding 3 – The Truckee Cemetery District, replying only for itself, agrees that it currently files and annual audit.

Finding 4 – The Truckee Cemetery District does not respond to findings regarding other districts.

Finding 5 – The Truckee Cemetery District does not respond to findings regarding other districts.

Finding 6 – The Truckee Cemetery District agrees that the Government Code Section is accurately summarized.

Finding 7 – The Truckee Cemetery District does not respond to findings regarding other districts.

As to the recommendations, we reply as follows:

Recommendation 1 – Because the Truckee Cemetery District is of the opinion that the reported reserve is higher than the actual reserve and because even the reported reserve is a reasonable reserve, and because the reserve reflects money that is being used to construct 96 niches as well as clear area for expansion of the burial area of the cemetery,

REVIEWED
1-27-03

[Signature]
6/26/03

and this money had to be saved over several years, the Board feels that it has fulfilled its responsibility to the taxpayers and that no specific written guidelines are necessary.

There are only 135 unsold plots left. They are scattered throughout the cemetery and the bulk of them are by the freeway, which is undesirable to several purchasers. Although the District has averaged 25 burials per year, the town population has increased dramatically and it is expected that the available space for burials will be quickly used up. For that reason the District has, for several years, saved money and has just signed a contract for over \$20,000 to construct 96 niches. Accordingly, the cremains will be able to be placed in the niches as opposed to using cemetery land.

Further, it is believed that the reserves reported by the Grand Jury also includes the endowment fund, which is required by law and which is highly restricted by statute.

Recommendation 2 – Because the Truckee Cemetery District is not an enterprise district, it cannot respond to this recommendation.

Recommendation 3 – Because this recommendation does not apply to Truckee Cemetery District, it obviously cannot act on that recommendation.

Recommendation 4 – Because this recommendation does not apply to Truckee Cemetery District, it obviously cannot act on that recommendation.

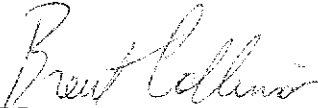
Recommendation 5 – Because the Truckee Cemetery District has no authority over the auditor-controller, it does not respond to this recommendation.

Recommendation 6 – Because the Truckee Cemetery District has no authority over the auditor-controller, it does not respond to this recommendation.

Recommendation 7 – This recommendation is being implemented and a copy of the Resolution to the Board of Supervisors is enclosed with this letter.

We trust that this response complies with and satisfies the provisions of the Penal Code regarding responses to the Grand Jury's findings and recommendations.

Yours truly,


BRENT P. COLLINSON
BPC:caw

Enclosure

cc: Truckee Cemetery District

~~ORIGINAL~~
COPY

BEFORE THE BOARD OF TRUSTEES OF
THE TRUCKEE CEMETERY DISTRICT

RESOLUTION _____

WHEREAS, the Truckee Cemetery District is a public cemetery district organized and operating pursuant to California Health and Safety Code Sections 8890 et seq., and

WHEREAS, the Civil Grand Jury of Nevada County published its report and recommendations on April 23, 2003, and

WHEREAS that report recommended that certain districts "consider taking advantage of the provision in California Government Code Section 2690(f) enabling the replacement of annual audits with biennial audits in order to lower their audit expense", and

WHEREAS the Board of Trustees of the Truckee Cemetery District is desirous of reducing the District's expenses,

NOW, THEREFORE, BE IT RESOLVED the Board of Trustees of the Truckee Cemetery District hereby unanimously requests the unanimous approval of the Board of Supervisors of Nevada County to replace the annual audit of the Truckee Cemetery District with a biennial audit covering a two-year period.

BE IT FURTHER RESOLVED that this unanimous request shall be forwarded to the Board of Supervisors of Nevada County so that they may act on this request.

PASSED AND ADOPTED at the regularly scheduled meeting of the Board of Trustees of the Truckee Cemetery District by the following vote:

AYES:

[Signature]

[Signature]

[Signature]

[Signature]

NOES:

ABSENT:

ABSTAIN:

Attest: [Signature]
Secretary/Clerk of the Board

Dated: June 9, 2003

RESOLUTION _____



Truckee Donner Public Utility District

Business Office

(530) 587-3896

FAX (530) 587-5056

*Follow-up
then open district*

Board of Directors

Joseph R. Aguera

J. Ronald Hemig

James A. Maass

Patricia S. Sutton

Nelson Van Gundy

General Manager

Peter L. Holzmeister

June 20, 2003

The Honorable Ersel L. Edwards
Nevada County Superior Court
201 Church Street
Nevada City, CA 95959

Post-It [®] Fax Note	7671	Date	6/20/03	# of pages	2
To		From	P. Holzmeister		
Co./Dept.	Nevada County	Co.	TD PUD		
Phone #	Superior Court	Phone #	587-3896		
Fax #	478-1869	Fax #			

Dear Judge Edwards;

This letter is Truckee Donner Public Utility District's response to the Report of the Civil Grand Jury of Nevada County on the subject of Special Districts Revenues and Reserves.

Respondent Truckee Donner PUD disagrees wholly with the findings contained in Table 1 in the column entitled "Reserves (a)". The Grand Jury Report finds that Truckee Donner PUD has \$22,175,137 in reserves. On the bottom of the third page of the document sent by the Grand Jury, there is a reference to note "2" which states "For purposes of this report, the terms reserves, retained earnings, and fund balances are used interchangeably." The report preparer used the District's Retained Earnings balance of \$22,175,137 as the amount of reserves held by the District.

For the District, retained earnings represents something very different than reserves or fund balances. Retained earnings is an accumulation over time of the investment in the District's water and electric system assets paid for by our customers. These assets include pipelines, wells, storage tanks, pump stations, pole lines, substation transformers and the like. The only way to turn these assets into cash would be to sell the District's assets. Part of the confusion may come from the fact that the District had asked our auditors to call "Retained Earnings" "Customers' funds".

There are two sections to the CONCLUSIONS that we wish to address in our response. The Grand Jury Report states "The apparent reason enterprise district reserves are so high is that in addition to receiving revenue from the county tax roles, these districts charge fees for their services. In many cases the customer base is of considerable size, diverse, and unable to obtain comparable services from a competitive source. These conditions allow the fee structure to remain high with little recourse from the population served."

Response: The Truckee Donner PUD does not receive any property tax or sales tax revenue from the county tax roles. The Counties (Placer and Nevada) do, however, collect standby revenue and Donner Lake Assessment District revenue for the District. The Counties also charge the District a fee for this service. The District holds public hearings for customer input when it is considering adoption of its annual operating and capital budgets and when considering increasing its rates.

The Grand Jury Report goes on to state "A number of the Special Districts have reserves that appear to be excessive. Two enterprise districts stand out. Nevada Irrigation District with \$167,327,953 which is over eight times its annual operating revenue, and Truckee Sanitary District with \$10,765,946 which is almost five times its annual operating revenue."

REC'D BY SUPERIOR COURT
DATE: 6-23-03
BY: *[Signature]*

Response: As stated before, the Grand Jury report refers to the District's retained earnings as our reserves. As of December 31, 2001, the Truckee Donner PUD had a General Fund balance of \$225,829 and a restricted funds balance of \$7,534,072. \$1,487,497 of this amount is required to be on reserve by our debt covenants. The balance is restricted for specific projects and purposes. It would be helpful to have a definition of Reserves in order to categorize our restricted funds properly.

The report of the Grand Jury makes several recommendations that we now wish to respond to.

Recommendation 1: Each Special District listed should develop written guidelines governing the accumulation of retained earnings, and justify to its constituency that the amount maintained is reasonably prudent.

Response: As the recommendation is stated, it is severely flawed. It would not be a good idea for any special district to have a policy governing the accumulation of retained earnings. Retained earnings is chiefly made up of the value of physical plant. However, it would be a good idea for each special district to have guidelines on the accumulation of capital and operating reserves, and to justify to its constituency that the amount maintained is reasonable prudent.

Truckee Donner PUD has been working with a consultant for the past year to prepare a Finance Master Plan. Preparation of a Finance Master Plan was identified as a goal during our annual strategic plan workshop. One element of the Plan will be to establish guidelines for the accumulation of operating and capital reserves since we are currently woefully underfunded in that regard. Therefore, we agree in part with the recommendation of the report and will implement it by the end of the calendar year.

Recommendation 2: All enterprise districts should develop and adopt plans for utilizing any excess retained earnings for the benefit of the public.

Response: Our response assumes that the term "retained earnings" really means "reserves". This recommendation will not be implemented because it is not warranted. Truckee Donner PUD does not now have an excess of reserves. We have a deficiency of reserves. The deficiency in our reserves is particularly clear when the construction projects anticipated in our water and electric system master plans are reviewed in relation to cash on hand. We cannot foresee a time in the future when we would have an excess of reserves. One of the reasons for preparing the Finance Master Plan is to develop a way to enhance our reserves.

The report's recommendations 3 through 7 do not apply to Truckee Donner PUD and we therefor make no response to them.

We appreciate the opportunity to respond to the Grand Jury's report and would welcome the chance to meet with appropriate members or staff of the Grand Jury to discuss our response.

Very truly yours,



Peter L. Holzmeister



Truckee Donner Public Utility District

Business Office

(530) 587-3896

FAX (530) 587-5056

Board of Directors
Joseph R. Aguera
J. Ronald Hemig
James A. Maass
Patricia S. Sutton
Nelson Van Gundy
General Manager
Peter L. Holzmeister

December 8, 2003

The Honorable Ersel L. Edwards
Nevada County Superior Court
201 Church Street
Nevada City, CA 95959

RECEIVED
DEC 12 2003

REVIEWED
12-15-03
EE

Dear Judge Edwards;

This letter is Truckee Donner Public Utility District's revised response to the Report of the Civil Grand Jury of Nevada County on the subject of Special Districts Revenues and Reserves. I apologize for failing to follow the required format in responding to you on June 20, 2003. I have had difficulty following that format even in this response because the Grand Jury Report deals with several different special districts. In some cases, I do not have the authority to speak on their behalf and in other cases I do not have full information regarding the circumstances of other districts. I have tried to respond within the required format. I hope this response is appropriate

FINDINGS

1. The following tables include a listing of each independent special district in Nevada County and the date of the audit submitted in response to the Grand Jury's' October 25, 2002 request. The tables also show the amount of operating revenue and reserves reported for the latest audit period, and reserves as a percentage of yearly operating revenue. "Enterprise: and "non-enterprise: districts are shown separately

ENTERPRISE DISTRICTS	Fiscal Yr. Ended	Annual Op. Revenue	Reserves	Res as a % of Op Rev.
Truckee-Donner PUD	12/31/01	15,181,177	22,175,137	146%

Truckee Donner PUD disagrees wholly or partially with the Finding. Truckee Donner PUD does not have reserves of \$22,175,137

2. While a significant amount of reserves are held by both enterprise and non-enterprise districts in Nevada County, enterprise districts have a much higher average percentage of reserves to operating revenue (302%) than non-enterprise districts (55%).

Truckee Donner PUD disagrees wholly or partially with the Finding. On the bottom of the third page of the document sent by the Grand Jury, there is a reference to note "2" which states "For purposes of this report, the terms *reserves*, *retained earnings*, and *fund balances* are used interchangeably." Retained earnings represents something very different than reserves or fund balances. Retained earnings is an accumulation over time of the investment in the District's water and electric system assets paid for by our customers. These assets include pipelines, wells, storage tanks, pump stations, pole lines, substation transformers and the like. The only way to turn these assets into cash would be to sell the District's assets. Part of the confusion may come from the fact that the District had asked our auditors to call "Retained Earnings " "Customers' funds".

3. California Government Code Section 26909(b) requires that an annual audit be completed within 12 months of the end of the fiscal year for every special district. A district may, by unanimous request of its governing board, and with unanimous approval of the Board of Supervisors, replace the annual audit with a biennial audit covering a two-year period. This exemption, provided for in California Government Code Section 26909(f), is not currently in effect for any of the reporting districts.

Truckee Donner PUD agrees with the finding

4. As shown in the non-enterprise table, two of the districts (Ophir Hill Fire Protection and Beyers Lane Community Service) provided audits that are more than two years old. This is a violation of the California Government Code Section 26909(b) requiring annual audits of special districts.

Truckee Donner PUD does not have enough information to agree or disagree with the finding.

5. Both the 2000 and 2001 audits received from the North San Juan Fire Protection District dated September 30, 2002 were the first audits done by the district since 1999. This is also in violation of California Government Code Section 26909(b) requiring an annual audit of every special district within the county.

Truckee Donner PUD does not have enough information to agree or disagree this the finding.

6. California Government Code Section 26909(a) and (b) also states that if an audit of a special district is not otherwise provided, the county auditor shall make or contract with an auditor to do so, the costs thereof being charged against the district.

Truckee Donner PUD agrees with the finding

7. The Auditor-Controller's office did remind by letter those districts which were late in filing their yearly audits, but failed to follow up to ensure that an audit was in fact carried out within 12 months of the end of the fiscal year.

Truckee Donner PUD does not have enough information to agree or disagree this the finding.

RECOMMENDATIONS

1. Each of the Special Districts listed in the tables should develop written guidelines governing the accumulation of retained earnings, and justify to its constituency that the amount maintained is reasonably prudent.

The recommendation will not be implemented because it is not warranted or is not reasonable. The recommendation would be warranted and reasonable if the guidelines governed the accumulation of reserves. Truckee Donner PUD intends to develop such a guideline related to accumulation of reserves

2. All "enterprise" districts should develop and adopt plans for utilizing any excess retained earnings for the benefit of the public they serve. This could be in the form of rate reductions, reimbursements or other public benefit.

The recommendation will not be implemented because it is not warranted or is not reasonable. The recommendation would be warranted and reasonable if the related to the utilization of any excess reserves.

3. The Nevada Irrigation District and the Truckee Sanitary District should take actions to reduce their reserves to a more reasonable amount.

Truckee Donner PUD does not have enough information to comment on this recommendation.

4. Ophir Hill Fire Protection, Beyers Lane Community Service and North San Juan Fire Protection districts should take steps to ensure that annual audits are completed in a timely manner according to California Government Code Section 26909.

Truckee Donner PUD is not able to respond in the required format. Implementation of this recommendation is beyond our control.

5. The Auditor-Controller should enforce all provision of California Government Code Section 26909.

Truckee Donner PUD is not able to respond in the required format. Implementation of this recommendation is beyond our control.

6. The Auditor-Controller should evaluate the county's authority to mandate clear and consistent terminology and formats for Special District financial reports.

Truckee Donner PUD is not able to respond in the required format. Implementation of this recommendation is beyond our control.

7. Smaller Special District should consider taking advantage of the provision in California Government Code Section 26909(f) enabling the replacement of annual audits with biennial audits in order to lower their audit expense.

Truckee Donner PUD is not able to respond in the required format. Implementation of this recommendation is beyond our control.

We appreciate the opportunity to respond to the Grand Jury's report and would welcome the chance to meet with appropriate members or staff of the Grand Jury to discuss our response.

Very truly yours,



Peter L. Holzmeister



Truckee Donner Recreation and Park District

10046 Church Street, Truckee, CA 96161
530-582-7720 FAX 530-582-7724

Ray Hottel
FY 2000-2001
Follow-up Committee
6/3/03
General Manager
Steve Randall

May 26, 2003

File # 05-03031

Honorable Ersel L. Edwards
201 Church Street
Nevada City, CA 95959

Re: Response to Grand Jury Subject of Special District Revenues & Reserves

Dear Judge Edwards,

This letter is the Truckee Donner Recreation & Park District's response to the Grand Jury about our Reserves at the end of FY 2000-2001.

The District has four categories where reserves are accumulated:

1. Capital Equipment Depreciation - All vehicles and heavy equipment of the District are depreciated out over the life of the vehicle or equipment.

Example: A truck costs \$21,000 to be replaced at the end of its term which is seven years. The District budgets \$3,000 for seven years so that the money is in place at the time the truck needs to be replaced.

The District has twenty vehicles or equipment that it depreciates out each year. In FY 2000-01 the District budgeted \$235,950 for capital equipment depreciation. The District spent \$24,000 out of this account in FY 2000-01 for the purchase of a truck. The rest of the money was carried over to the next year for future replacement of vehicles and equipment.

2. Reserves - the District budgets \$100,000 each year for unexpected expenses which might come up during the year. These expenses are only for unbudgeted items. The District did not spend any money from this account during this fiscal year.
3. Mitigation Fees - The District has two mitigation fee programs in effect. One is the Quimby Fee which generates \$1,009 per newly created parcel and an AB 1600 program which generates \$0.40 per square foot of new residential construction. These are restricted funds and can only be used for the development of new facilities in the community. These funds are held in a restricted account until the

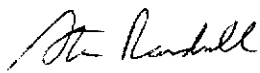
REC'D BY SUPERIOR COURT
DATE: *6-8-03*
BY: *[Signature]*

District has a project to spend these funds on. These funds have to be spent within a five year period. The District received \$364,450 during FY 2000-01.

4. General Fund Balance - The District budgets for all projected expenses each fiscal year. If funds are not expended they go into the general fund balance and are used for the next fiscal year. In FY 2000-01 the District had unexpended funds of \$385,638. The following funds were not expended that fiscal year, which resulted in the bulk of this balance: \$100,000 for the 2000 park bond act grant (this money was spent in FY 2002-03 for ice rink improvements) and \$162,000 for the purchase of land for the future. As you can see there really was only \$123,638 of unexpended budgeted items.

In reality the District only carries a \$100,000 reserve in the budgeting process each year. The other funds are either for capital equipment depreciation, mitigation fees for future projects, unexpended funds, grants, or funds for future facilities or land purchase.

Should you require any additional information, please contact me.



Steve Randall
General Manager

*Follow up
then see attached*

6/22/03

J 6/26/03

WASHINGTON COUNTY WATER DISTRICT
WASHINGTON, CALIFORNIA 95986

To: The Honorable Ersel L. Edwards
201 Church Street
Nevada City, CA 95959

From: The Board of Directors
Washington County Water District
P.O. Box 10
Washington, CA 95986

Subject: Responses to findings and actions on recommendations pertaining to the Nevada County Grand Jury Investigation of Special Districts Revenues and Reserves.

FINDINGS AND RESPONSES

1. **Washington County Water District Audit for Fiscal Yr Ending 6/30/03.** The respondent agrees with the finding.

RECOMENDATIONS AND ACTIONS

1. **The WCWD should consider taking advantage of the provision in California Government Code Section 26909f enabling the replacement of annual audits with biennial audits in order to lower audit expense.** The recommendation requires further study. The WCWD Treasurer and Secretary will determine the actual savings which would be realized by changing to a biennial audit and present the study result to the Board of Directors of the Washington County Water District within three months.

Respectfully

Director George Price

John Stark, Secretary WCWD

REC'D BY SUPERIOR COURT

DATE: *6-24-03*

BY: *[Signature]*

NID Nevada Irrigation District

1036 W Main St ♦ PO Box 1019 ♦ Grass Valley, CA 95945-1019 ♦ (530) 273-6185
From Auburn & Lincoln: 1-800-222-4102 FAX: (530) 477-2646

The District pledges to provide its customers with a safe dependable water supply for urban and agricultural uses at the lowest feasible cost utilizing available resources today and in the future.

June 19, 2003

Grand Jury
County of Nevada
Eric Rood Administration Center
950 Maidu Avenue
Nevada City, CA 95959

Re: Response to Nevada County Civil Grand Jury Report

Gentlemen:

The staff at the Nevada Irrigation District have received the 2003 Nevada County Grand Jury Report and appreciate the opportunity to offer a response to the findings.

In accordance with the California Penal Code Section 933 (b), Nevada Irrigation District disagrees partially in the Grand Jury's finding. The District agrees that the Operating Revenues for 2001 are \$20,876,392. The District disagrees that the District has \$167,327,953 in reserves. This amount represents retained earnings which is a part of the Fund Equity. Fund Equity is the District's net worth that has accumulated from its inception in 1921.

In accordance with the California Penal Code Section 933 (b), the Nevada Irrigation District offers the following responses to the Grand Jury's recommendations:

1. The recommendation that each of the Special Districts listed in the tables should develop written guidelines governing the accumulation of retained earnings is not anticipated to be implemented. Retained earnings are strictly the result of the accumulation of net income or loss from the District's inception in 1921 to the report date. The cash that is derived from the net income is used for capital projects, to pay debts, or transferred to reserves. The District has created reserves that are used for a very specific purpose. A summary is attached.
2. The recommendation that all "Enterprise" districts should develop and adopt plans for utilizing any excess retained earnings is already implemented. The District has developed a long-range project list to enhance, rehabilitate and expand its facilities that serve its customers (a copy is attached for your

Directors: Nancy Weber, Div. 1 ♦ John H. Drew, Div. 2 ♦ W. Scott Miller, Div. 3 ♦ R. Paul Williams, Div. 4 ♦ George Leipzig, Div. 5
General Manager: Ron Nelson ♦ Secretary: S. Carol Gates ♦ Treasurer: Teresita T. Andrews
Attorneys: Minasian, Spruance, Baber, Meith, Soares & Sexton, LLP

information). These projects are funded by the reserves (not retained earnings) that have been set up by the Board of Directors.

3. The recommendation that Nevada Irrigation District should take actions to reduce their reserves to a more reasonable level is already implemented. The District's Board has authorized the maximum amounts for each of the reserves set up and they feel that these limits are reasonable in conducting the District's business.

If the members of the Jury would find it useful, my staff and I would welcome the opportunity to further discuss the District's fiscal policies. Please advise us if we can be of further assistance to the Jury regarding these issues.

Sincerely,



Ron S. Nelson
General Manager

RSN:le
Attachments
cc: NID Board of Directors
Tess Andrews

NEVADA IRRIGATION DISTRICT
WORKING CAPITAL & RESERVE ACCOUNTS
Approved 1/13/99, revised 3/28/01

ACCRUED LEAVE RESERVE - (Established 12/12/79)

The Accrued Leave Reserve Fund shall be established with an initial deposit of \$100,000. Thereafter, the fund shall be adjusted by the change in the value of the unfunded accrued vacation, sick leave and compensatory time on record as of the last day of each budget year. Interest earned on this fund shall be deposited to the Working Capital Fund.

BUILDING RESERVE - (Established 12/12/79, Rev. 3/28/84)

Close residual to Watershed Improvement Reserve (1/13/99)

The Building Reserve Fund, established with an initial deposit of \$250,000, shall be used for the purpose of accumulating funds for the eventual construction of additional office space. Interest earned on this fund shall remain in the fund. Effective 3/28/84, there shall be no other moneys deposited in this fund except the interest earned.

(Prior to 3/28/84, the fund was augmented by the interest earned and a portion of the General Fund receipts in excess of expenditures as appears on the year end budget report.)

DAM FAILURE RESERVE (Established 9/25/85, Rev. 1/13/99):

The Dam Failure Reserve shall be maintained at \$5,000,000. The purpose of the fund is to pay for damages caused by the failure of a dam. The annual budget shall include a yearly appropriation of \$150,000. Interest shall accrue in the fund.

DEPRECIATION RESERVE - (Established 12/12/79, Rev. 1/13/99)

The Depreciation Reserve Fund shall be established with an initial balance of \$100,000. Thereafter, the fund shall be adjusted by the difference between the purchase price of trucks, sedans and heavy equipment and annual budget appropriations of not less than \$400,000. Interest earned on this fund shall remain in the fund and be in addition to any budget appropriations.

HYDROELECTRIC RELICENSING RESERVE - (Established 12/13/95)

Transfer \$5,000,000 from the revenue reserve. One half (1/2) of the interest earned shall remain in the fund. Funds in the reserve shall be used for relicensing expenses and after July 1, 2013, for any major replacement or repair of the facilities connected to the hydroelectric plants.

NEVADA IRRIGATION DISTRICT
WORKING CAPITAL & RESERVE ACCOUNTS

Approved 1/13/99, revised 3/28/01

INSURANCE RESERVE - (Established 2/76, rev 12/12/79, 3/28/90, 1/13/99)

The Insurance Reserve Fund shall have a minimum balance of \$400,000 and maximum balance of \$2,000,000. Expenditures are restricted to the payment of uninsured claims for damages or injury against the District. Interest earned on this fund shall remain in the fund until the maximum balance is achieved. When the fund balance falls below \$400,000, the next annual budget shall contain an appropriation adequate to return the fund to its authorized amount. (Retroactive liability insurance for the period 7/77 to 10/79 was purchased. The cost of the liability insurance is \$32,500 [4/11/84 Board Mtg.]

The fund shall also be used to fund contingencies on self-insurance program for General Liability. District is self-insured for General & Auto Liability from 10/1/89 to 1/13/93 and Property Damages from 4/1/90 to 1/13/93.

MAINTENANCE RESERVE - (Established 11/21/79, Rev. 12/12/79, 10/22/80, 3/28/84, 1/13/99)

The Maintenance Reserve Fund shall be maintained at \$5,000,000 and shall be used for unbudgeted emergency repairs. Amounts authorized for expenditure shall be transferred to the Working Capital Fund. The annual budget shall contain an appropriation adequate to maintain the fund (estimated annual interest on the fund or 1% of the annual budget, whichever is greater, but not to exceed the authorized limit of the fund).

MEDICAL CLAIMS LIABILITY RESERVE -(Established 12/84, Rev. 1/13/99)

The medical claims liability reserve shall be established to pay for actual medical claims

PG&E CONSOLIDATED CONTRACT=PAR B-15 - (Established 11/26/86)

The PG&E Consolidated Contract Reserve Fund shall be established with a minimum of \$250,000 to pay for water purchased from Pacific Gas & Electric Company. This reserve is a condition of the amendment of paragraph B-15 of Part II of the District's Yuba River Consolidated Contract. The amendment will delete the requirement to maintain a \$500,000 credit account currently held by PG&E without interest.

REVENUE RESERVE - (Established 12/12/79)

The Revenue Reserve Fund shall consist of all General Fund cash balances not otherwise accounted for. The fund shall be established with an initial deposit of \$250,000. The fund shall be increased or decreased by transfer to or from the Working Capital Fund. Interest earned on this fund shall be deposited in the Working Capital Fund.

NEVADA IRRIGATION DISTRICT
WORKING CAPITAL & RESERVE ACCOUNTS
Approved 1/13/99, revised 3/28/01

SYSTEM IMPROVEMENT FUND - (Established 12/17/78, Rev. 12/12/79, 3/28/84, 11/13/85, 4/27/88, 1/13/99)

The System Improvement Fund is established to provide funds for rehabilitation, enlargement, and improvements of District facilities. Amounts authorized for expenditure shall be transferred to the Working Capital Fund. The fund shall consist of the following components:

- I. Raw Water System - the following monies shall be deposited to this component:
 - (a) - All acreage fees received from annexations.
 - (b) - Surplus of the annual budget, up to an annual deposit of \$750,000. (At the July 10, 1985 Board Meeting, the Board authorized the transfer of \$460,000 to the Maintenance Reserve. It was determined that \$340,000 was sufficient for this reserve.)
 - (c) - Interest earned from this component.
- II. Treated Water System - All capacity fees received shall be deposited to this component together with all interest earned from this component.
- III. Excess Footage - All funds received under Section 10.10.04 of the Rules & Regulations Relating to Water Service.

UNEMPLOYMENT INSURANCE RESERVE - (Established 11/25/81)

The Unemployment Insurance Reserve is set up to pay unemployment insurance claims. The District elected to change the method of financing unemployment insurance benefit as follows:

From: Local Public Entities Employee Fund Section 841-852 California
Unemployment Ins. Code

To : Prorated Cost of Benefits Paid Section 803 (b) (1) California Unemployment
Ins. Code

WATERSHED IMPROVEMENT RESERVE (Established 1/13/99):

The Watershed Improvement Reserve shall be established with an initial transfer of \$1,000,000 from the Revenue Reserve. The reserve shall be used for the maintenance and improvement of the District's watershed. The reserve shall be funded as follows:

1. Net revenues from all timber sales
2. Residual dollars from the Building Reserve.
3. Interest earned on this fund shall be deposited to the Working Capital Fund.

WORKING CAPITAL - (Established 12/12/79, Rev. 3/28/84)

The working capital fund shall consist of Treasurer's Cash, Payroll Fund, Petty Cash Funds, and any other Imprest Cash Funds, which may be established. The fund shall not be more than \$600,000 except at times of unusual expenditures. All receipts and expenditures shall be processed through this fund. Funds shall be transferred to the Revenue Reserve Fund when the maximum is exceeded.

NEVADA IRRIGATION DISTRICT
WORKING CAPITAL & RESERVE ACCOUNTS
Approved 1/13/99, revised 3/28/01

RETIREMENT FUND - (Established 6/1/83, Rev. 1/13/99, 3/28/01)

The Retirement Fund shall be used to pay the cost of living adjustment (annual change in the CPI with a maximum of 3%) for employees that retired under the Aetna Plan. Due to PERS employer rate for FY00/01 & 01/02 being zero (-0-) deposit \$500,000 annually up to a maximum of \$3,000,000 to be used to pay future PERS contributions. Interest shall stay in the fund.

ID	Year	Completed	Facility Name	Description	Cost Est
376	2003	TRUE	E. George	E. George - Install plant SCADA system.	\$70,000.00
389	2003	TRUE	Loma Rica	David Way Tank Site Check Valve	\$5,000.00
372	2003	TRUE	Magnolia III Pumps	Magnolia 3 Pump Station Enlargement	\$70,000.00
118	2003	FALSE	Cascade Shores	Summit Ridge & Lower Zone: Replace redwood tanks with welded steel. (Two tanks at Summit Ridge.)	\$660,000.00
402	2003	FALSE	China/Union	Union Reservoir-fence property	\$70,000.00
378	2003	TRUE	Farm	Sanford Creek Pipe Flume replace 36" dia. Steel pipe.	\$60,000.00
142	2003	FALSE	Maben	Study for project and priority to rehabilitate and enlarge: includes two siphons.	\$15,000.00
109	2003	TRUE	Snow Mountain WTP	E. George Pump Intertie: Pump station on Gracie Road and transmission pipeline. Abandon Snow Mt. WTP.	\$1,650,000.00
409	2003	FALSE	Snow Mountain WTP	Bypass Snow Mountain Treatment Plant	\$20,000.00
357	2003	FALSE	Willits	Willits end of canal diversion into the Lone Star Canal structure replacement.	\$2,000.00
388	2003	FALSE	Combie I	Combie Phase 1 Flume failure investigation.	\$15,000.00
368	2003	FALSE	District Wide	City of Grass Valley water system transfer study.	\$40,000.00
334	2003	FALSE	E. George	Upper Banner Pump Sta.: Increase capacity by expanding building and adding fourth pump.	\$150,000.00
348	2003	FALSE	E. George	Greenwood Road: Replace 1200' of 12.	\$72,000.00
374	2003	FALSE	E. George	Deer Creek Park PRV Stations Renovate Vaults with ladders, assists, doors. Relief valves needed?	\$6,000.00
399	2003	FALSE	E. George WTP	Erosion Protection - Norvell Spillway	\$100,000.00
397	2003	FALSE	Fruitvale	Replace last third of siphon with 18" PVC.	\$65,000.00
317	2003	FALSE	Lake of Pines WTP	Filter and Clearwell: Add 5 mgd gravity filter, 65,000 gal BW tk, 1.2 mg CW, booster pump sta, bulk lime equip, mod C12 rm, add sldg underdrain	\$6,500,000.00
127	2003	FALSE	Lake Wildwood	Lasso Loop: Replace 4" with 3900' of 8".	\$156,000.00
382	2003	FALSE	Lake Wildwood	LWW WTP Install Plant SCADA System	\$150,000.00
383	2003	FALSE	Loma Rica	Loma Rica WTP Install Plant SCADA System	\$75,000.00
9	2003	TRUE	Lower Scotts Flat Rsv	Dam Wing-walls: Rehabilitate concrete.	\$150,000.00
346	2003	FALSE	Red Hill Rsv & Pipe	Red Hill Reservoir Bypass: structures and pipeline needed to bypass rsv for maintenance and operation needs.	\$20,000.00
33	2003	FALSE	Rohr Shanley Pipe	Mid-section: Replace/realign 2200' with 12".	\$95,000.00
344	2003	FALSE	Rollins Recreation	Long Ravine: Site of removed fuel tank: Install monitoring wells and test for contaminants.	\$20,000.00
405	2003	FALSE	Rollins Recreation	Greenhorn Campground Water Pipes Replacement	\$37,000.00
364	2003	TRUE	Spenceville	Replace and relocate parshall flume	\$5,000.00
332	2003	FALSE	Valley View	Merz Pipe: Replace with 1,400 LF of 12" (est).	\$103,000.00
64	2003	FALSE	Cole Viet	Palm CT downstream: Encase 1500' with 24" (EST).	\$165,000.00
407	2003	FALSE	Combie I	Combie Phase I Restoration	\$175,000.00

ID	Year	Completed	Facility Name	Description	Cost Est
249	2003	FALSE	Combie Rsv	Combie North Aquaduct outlet: Install slide gate on upstream side of dam and equip with automatic shut-off controls. (Gate at NA WTP).	\$95,000.00
377	2003	FALSE	D.S.	D.S. Extension Siphons Nos. 2 & 3 cement mortar line 48" dia. Steel pipes.	\$85,000.00
392	2003	FALSE	D.S.	Construct measuring station head of DS Extension	\$25,000.00
150	2003	FALSE	E. George	Grass Valley: Study potential interties. (Coordinate w/ Master Plan).	\$7,000.00
266	2003	FALSE	E. George WTP	Postpone - integrate with potential take-over study.	\$150,000.00
120	2003	FALSE	Lake Wildwood	Flocculation Basin: Install baffles perpendicular to existing floc paddles.	\$180,000.00
78	2003	FALSE	Lake Wildwood	Penn Valley Tank: Replace redwood tank with welded steel.	\$230,000.00
303	2003	TRUE	Loma Rica	Jayhawk Pump: Raise Sta. And add pump.	\$70,000.00
308	2003	FALSE	Loma Rica	Osborne Hill Tanks 1 & 2: Modify inlet/outlet piping. Delay field mod to #2 to coincide with #304.	\$70,000.00
343	2003	FALSE	Loma Rica	Loma Rica Tanks 1 & 2: Modify inlet/outlet piping. Delay field mod to #2 to coincide with #304.	\$20,000.00
353	2003	FALSE	North Auburn	Mountain Air PR Sta: Relocate popoff valve downstream near Forest Springs Canal.	\$200,000.00
345	2003	FALSE	Placer Yard	North Auburn Tank Site. Purchase land for future tank when property develops.	\$50,000.00
32	2003	FALSE	Quincy	Gold Hill Yard: Site of removed fuel tank: Install monitoring wells and test for contaminants.	\$50,000.00
351	2003	FALSE	Rattlesnake	Quincy pipe: 720' of 12" pipe and modify inlet box.	\$170,000.00
390	2003	FALSE	Smartville WTP	Rehab 1850 LF of Rattlesnake Canal with access road.	\$15,000.00
391	2003	FALSE	Smartville WTP	Study to meet Stage 1 DBPR for THM's & HAA5's for Jan 1, 2004 compliance.	\$50,000.00
360	2003	FALSE	Wiswell Gladding	Project to meet Stage 1 DBPR for THM's & HAA5's for Jan 1, 2004 compliance.	\$60,000.00
58	2003	FALSE	Wolf Hannaman	Replace 700' of 12" siphon with 18", install inlet with rack and overpour boards.	\$120,000.00
257	2004	FALSE	Cascade	Austin Flat Siphon: Replace including structures..	\$1,350,000.00
400	2004	FALSE	Combie Ophir IV	Lower Cascade: Modernization study. Includes Upper Grass Valley Canal Moran Spillway Replacement	\$50,000.00
333	2004	FALSE	Combie Rsv	Access Road: Develop from south abutment approx 3,000 feet.	\$35,000.00
93	2004	FALSE	District Wide	Standby Generators: Study cost effectiveness of providing standby power for treated water.	\$8,000.00
380	2004	FALSE	District Wide	Catholic Protection Study	\$10,000.00
17	2004	FALSE	E. George	Lower GV to Granholm: Replace 14" under freeway.	\$35,000.00
321	2004	FALSE	Loma Rica	Osborne Hill Tank 1: Paint interior and exterior.	\$125,000.00
291	2004	FALSE	Rollins Recreation	Greenhorn: Replace outhouses near Wagon Wheel with new restroom	\$175,000.00
68	2004	FALSE	Snow Mountain	Sugarloaf pipeline: Convert to treated water and realign. 1200' of 8".	\$62,000.00
393	2004	FALSE	Tarr	Replace parshall flume head of Clear Creek Canal	\$20,000.00

ID	Year	Completed	Facility Name	Description	Cost Est
8	2004	FALSE	D.S.	Flume No. 10: Replace with 180' of 72"	\$70,000.00
181	2004	FALSE	D.S.	Flume No. 12: 280' of 72". Caution: NC's 12" routed under flume.	\$450,000.00
182	2004	FALSE	D.S.	Flume No. 13, 14, & 15: 60', 130', 240' of 72"	\$300,000.00
184	2004	FALSE	D.S.	Flume No. 17: 120' of 72"	\$70,000.00
349	2004	FALSE	D.S.	Install a permanent standby generator at Pine Woods Pump Station.	\$180,000.00
408	2004	FALSE	District Wide	Vulnerability Assessment	\$80,000.00
362	2004	FALSE	District Wide	Raw Water Master Plan Update.	\$500,000.00
53	2004	FALSE	E. George	Upper Banner Tanks: Extend overflow/drain line to suitable drainage. 700' of 8".	\$25,000.00
319	2004	FALSE	E. George	Deer Creek Park: Add a second tank at approx. 1 Mill Gal.	\$800,000.00
385	2004	FALSE	E. George	DS Canal Pipeline Replacement 5,735' of 24"	\$700,000.00
143	2004	FALSE	Kyler	Study for project and priority to rehabilitate and enlarge.	\$10,000.00
244	2004	FALSE	Lake of Pines	Woodhaven and Lake Shore North PRV Sta.: Upgrade station and replace vault lid, or install individual PRV's	\$15,000.00
130	2004	FALSE	Lake Wildwood	Tank No. 6: Paint 6 inside and outside. (#78 must be completed first).	\$150,000.00
324	2004	FALSE	Lake Wildwood	Tank No. 3A: Paint.	\$40,000.00
201	2004	FALSE	Lake Wildwood WTP	Lime Storage and Feed: Add bulk lime storage. Add conduits and pull boxes.	\$350,000.00
80	2004	FALSE	Loma Rica	Hwy 49 @ Christian Life Way: Replace 1500' with 8".	\$68,000.00
178	2004	FALSE	Loma Rica	Master Plan: Treated Water.	\$15,000.00
220	2004	FALSE	Loma Rica	Woodrose Way: Replace 1,700 ft. w/ 8".	\$50,000.00
225	2004	FALSE	Loma Rica	Francis Drive: 2,300 ft of 10".	\$150,000.00
237	2004	FALSE	Loma Rica	Loma Rica Tank 1: Paint interior and exterior.	\$125,000.00
11	2004	FALSE	Loma Rica Rsv	Dredge sediment, add WTP outlet gates.	\$150,000.00
66	2004	FALSE	Newtown	Headworks: Protect from PMF (probable maximum flood).	\$350,000.00
89	2004	FALSE	Tarr	Perrin past Old Auburn Road: Rehabilitate or relocate in siphon. See 1997 Study project.	\$700,000.00
198	2004	FALSE	Combie Ophir I	Bear River Siphon: Paint.	\$200,000.00
309	2004	FALSE	Combie Rsv	Foot Bridge: Repaint footbridge crossing Bear River to Combie South PH.	\$50,000.00
117	2004	FALSE	E. George	Forest Knolls: Phase I Replace distribution system. 3600' of 8", 1200' of 6", and a pressure reduced intertie.	\$500,000.00
69	2004	FALSE	E. George	Hallwood: Replace private pipelines.	\$70,000.00
365	2004	FALSE	E. George	Construct intertie with Nevada City per Intertie Study. Intertie 2 in study.	\$30,000.00
363	2004	FALSE	E. George	Watt Park: Replace pvt pipeline on cliff's Place and Gene Road.	\$40,000.00
268	2004	FALSE	E. George WTP	Alum Storage Tank: Construct containment walls.	\$15,000.00
339	2004	FALSE	Forest Springs	Cole Siphon: Replace with 500' (est.) of 24" (est.)	\$60,000.00
271	2004	FALSE	Lake of Pines WTP	Alum Storage Tank: Construct containment walls. Coordinate with Project # 317.	\$15,000.00
180	2004	FALSE	Lake Wildwood	Master Plan: Treated Water.	\$30,000.00

ID	Year	Completed	Facility Name	Description	Cost Est
				Sunforest Pump System: install permanent pressure-relief valve around station to allow isolation of system storage.	\$20,000.00
235	2004	FALSE	Lake Wildwood		
330	2004	FALSE	Lake Wildwood WTP	Sludge Drying Beds: Install underdrain system	\$40,000.00
				Clearwell Drain Line: Redirect outfall to backwash ponds to prevent water from leaving property. Try gravity line first, then sump for portable pump	\$8,000.00
267	2004	FALSE	Lake Wildwood WTP	Alum Storage Tank: Construct containment walls.	\$15,000.00
270	2004	FALSE	Lake Wildwood WTP	Pavement: Overlay entire WTP compound.	\$75,000.00
243	2004	FALSE	Lake Wildwood WTP	TimBur Lane & Star Dr: Replace pvt pipeline with 2,800 ft of 8".	\$115,000.00
7	2004	FALSE	Loma Rica	Rocky Lane: Replace pvt pipeline (900').	\$36,000.00
15	2004	FALSE	Loma Rica	Sludge Drying Beds: Install underdrain system	\$70,000.00
329	2004	FALSE	Loma Rica WTP	Alum Storage Tank: Construct containment walls.	\$15,000.00
269	2004	FALSE	Loma Rica WTP	Dam Center Gate: Rehabilitate and add hydraulic controls.	\$120,000.00
216	2004	FALSE	Lower Scotts Flat Rsv	Hwy 49: Locksley to Quartz. 1,250 ft of 14".	\$105,000.00
222	2004	FALSE	North Auburn	Alum Storage Tank: Construct containment walls.	\$15,000.00
272	2004	FALSE	North Auburn WTP	Storage building: Replace with 40' X 65' metal building.	\$100,000.00
338	2004	FALSE	Placer Yard	Dam outlet gate: Replace hydraulic lines.	\$100,000.00
10	2004	FALSE	Scotts Flat Rsv	Celio Rd: Replace pvt pipeline.	\$43,000.00
27	2004	FALSE	Snow Mountain	Lower Tarr: Study realignment in siphon on Robinson and other capacity problems downstream of Hogland pipe.	\$7,000.00
299	2004	FALSE	Tarr	Camp Far West Spillway No. 7 - 4-Mile Spill replacement	\$45,000.00
356	2004	FALSE	Camp Far West	Construct measuring station head of Clark Jorstad Canal	\$20,000.00
395	2004	FALSE	Clark-Jorstad		
				Mt. Vernon Road Siphon: Relocate Combie Ophir IV into inverted siphon.	\$850,000.00
312	2004	FALSE	Combie Ophir IV	Construct measuring station head of Comstock Gladding Canal	\$20,000.00
394	2004	FALSE	Comstock Gladding	Discharge to Lower Scotts: Install permanent gauging station. Investigate alternatives.	\$45,000.00
219	2004	FALSE	Deer Creek	Document Retrieval System.	\$580,000.00
210	2004	FALSE	District Wide	Cannon Siphon and Garden Bar Siphon: Replace to Master Plan flows	\$95,000.00
232	2004	FALSE	Doty North	Master Plan: Treated Water.	\$55,000.00
179	2004	FALSE	E. George	Deer Creek Park: Repaint upper and lower zone tanks (2). Requires lead abatement.	\$90,000.00
328	2004	FALSE	E. George	Bubbling Wells Road 3905 ft of 18-in cement mortar line	\$300,000.00
379	2004	FALSE	E. George	Last 2800': Rehabilitate canal, pipes, and structures.	\$110,000.00
63	2004	FALSE	Fruitvale	Construct 1,300' of 10" pipe from Darkhorse and abandon Wayfarer Hydro-pneumatic Pump Station	\$40,000.00
396	2004	FALSE	Lake of Pines	Hollydale Rd: Replace pvt pipeline.	\$35,000.00
19	2004	FALSE	Loma Rica	Spillway No. 1: Replace with overshot or new spill or replace existing spill.	\$18,000.00
307	2004	FALSE	Lone Star	Coordinate with Warren.	\$350,000.00
206	2004	FALSE	Maben	Rehabilitate per Larry H.'s study. (See ID # 142).	\$350,000.00
13	2004	FALSE	Newtown	Smith Property: Rehabilitate.	\$40,000.00

ID	Year	Completed	Facility Name	Description	Cost Est
191	2004	FALSE	Newtown	Personeni Pipe Drop: Replace and encase canal upstream & upgrade Spill #16. 1200 LF of 30" Dia.(est).	\$170,000.00
18	2004	FALSE	North Auburn	Dry Creek Rd: Replace pvt pipeline opposite Lumber Jack.	\$9,000.00
169	2004	FALSE	North Auburn	Bowder Lane: Replace pvt pipeline between Linda Dr and Bell Road.	\$6,000.00
22	2004	FALSE	Orr Creek Rsv	Dam outlet facilities: Rehabilitate (study abandonment).	\$65,000.00
202	2004	FALSE	Smartville WTP	Add fire pump at WTP.	\$30,000.00
406	2004	FALSE	Tarr	Perrin Flume #2 Spill gates	\$25,000.00
361	2004	FALSE	Vernon	Replace distribution box and service box outlets.	\$15,000.00
29	2005	FALSE	Alta Hill Rsv	Study reconstruction or abandonment.	\$10,000.00
42	2005	FALSE	Gold Blossom	Study to rehabilitate entire length. (See ID # 67)	\$9,000.00
341	2005	TRUE	Lake of Pines	Timber Ridge Tank 2: Modify inlet/outlet piping. Designed with #340.	\$35,000.00
326	2005	FALSE	Cascade Shores	Lower Tank No. 2: retrofit inlet/outlet and paint.	\$50,000.00
185	2005	FALSE	D.S.	Flume No. 18 & 19: 110' & 90' of 72".	\$80,000.00
325	2005	FALSE	E. George	Taylor Tank: paint.	\$125,000.00
205	2005	FALSE	Kyler	Rehabilitate per Keith's study. (See ID # 143).	\$250,000.00
223	2005	FALSE	Lake of Pines	Madrone Ct.: Install new pump station for local pressure problems.	\$140,000.00
224	2005	FALSE	Loma Rica	Alta Sierra Rsv. Inlet pipe: 300 ft of 12".	\$45,000.00
226	2005	FALSE	Loma Rica	Sky Pines: 2.2 MG tank and 3,600 ft of 14".	\$1,300,000.00
386	2005	FALSE	Loma Rica	Greenhorn Campground Pipeline	\$550,000.00
342	2005	FALSE	Snow Mountain	Deer Creek Park: Install pressure reduced intertie on Red Dog Road.	\$30,000.00
398	2005	FALSE	Tarr	Replace existing 24" diameter pipe. Investigate keeping as elevated pipe flume.	\$150,000.00
170	2005	FALSE	E. George	Linda Lane and C Street: Replace pvt pipeline(s). Off Squirrel Creek Rd.	\$25,000.00
176	2005	FALSE	E. George	Catalpa Lane: Replace private pipeline (est 550' of 8").	\$25,000.00
387	2005	FALSE	E. George	Forest Knolls: Phase 2 Replace distribution system 3000' of 8" & 1000' of 6"	\$200,000.00
112	2005	FALSE	Loma Rica	Dog Bar to Francis Drive: Install 1400' of 10" loop per Master Plan.	\$105,000.00
121	2005	FALSE	Loma Rica	Cedar Ridge Loop: Transmission pipe (5150' of 24") from East Bennett to Hwy 174.	\$980,000.00
4	2005	FALSE	Loma Rica	Airport North Pipeline: Masterplan, 7,600' of 24".	\$890,000.00
16	2005	FALSE	Loma Rica	Rattlesnake Rd: Masterplan, Phase II, 14,300' of 18".	\$1,600,000.00
304	2005	FALSE	Loma Rica	Loma Rica Tank 2: Paint interior and exterior.	\$125,000.00
322	2005	FALSE	Loma Rica	Osborne Hill Tank 2: Paint interior and exterior.	\$125,000.00
23	2005	FALSE	Cascade	Lower Cascade: Implement modernization study. Includes Upper G.V. Canal..	\$19,000,000.00
381	2005	FALSE	Cascade	Lower Cascade: Construct 1500 kw Hydro-electric Plant	\$2,900,000.00
28	2005	FALSE	D.S.	Big Blue Rd upstream: Replace flume with 450' of 72".	\$150,000.00
183	2005	FALSE	D.S.	Flume No. 16: 290' of 72".	\$180,000.00
313	2005	FALSE	Dudley	Spillway No. 6: Replace (split off of Project ID # 213)	\$15,000.00
403	2005	FALSE	Lateral 5	Lateral 5-CFW Siphon 1 replacement for master plan flow	\$40,000.00

ID	Year	Completed	Facility Name	Description	Cost Est
43	2006	FALSE	Rough & Ready	Carey Dr to Ridge View Rd: Realign and encase in 500' of 24". (See Jim C. for concept).	\$55,000.00
186	2006	FALSE	D.S.	Flume No. 23: 170' of 72".	\$65,000.00
404	2006	FALSE	E. George	Nevada City Hwy Glenbrook Dr to Gates Place replace and upgrade 1900' of 4" pipe	\$200,000.00
70	2006	FALSE	Lake Wildwood	Jayhawk tank: Revise drainage and encase or shotcrete.	\$20,000.00
67	2006	FALSE	Gold Blossom	Rehabilitate per Keith's study. 4,000' of 18" (EST). (See # 42).	\$320,000.00
227	2006	FALSE	Lake of Pines	Treatment Plant Effluent: 3,700 ft of 12".	\$320,000.00
314	2007	FALSE	E. George	Boreham Lane: Replace 16" with 250' of 24" (verify size and location through Master Plan Update)	\$28,000.00
315	2007	FALSE	E. George	Banner Lava Cap: Parallel (E) with 3000' of 20". (Verify size and location with Master Plan Update.)	\$380,000.00
228	2008	FALSE	E. George WTP	Treatment Plant: Expand capacity to 24 MGD (Sed. Basin, filters, plant effluent pipe).	\$3,800,000.00
230	2008	FALSE	North Auburn	Hwy 49: Education to Cottage. 3,200 ft of 14".	\$160,000.00
375	2009	FALSE	E. George	Sierra College Tank - construct 1 mg tank	\$700,000.00
229	2011	FALSE	Loma Rica WTP	Treatment Plant: Expand to 12 MGD (Sed. Basin and filters).	\$2,600,000.00
401	2011	FALSE	E. George	Banner Taylor Reservoir-replace cover	\$1,000,000.00
					\$63,275,000.00

Ophir Hill Fire Protection District



P.O. Box 940 ♦ 12668 Colfax Hwy., Cedar Ridge, CA 95924
(530) 273-8351 ♦ FAX (530) 273-0453

May 19, 2003

The Honorable Ersel L. Edwards
Superior Court County of Nevada
201 Church Street
Nevada City, CA 95959

The Honorable Ersel L. Edwards:

In reply to The Grand Jury Report on the subject of Special Districts Revenues and Reserves dated April 18, 2003, Ophir Hill Fire Protection District respectfully submits the following response:

Under FINDINGS item #4 : Since The Grand Jury requested the most recent audit, we did not respond to their request until after our 2002 Final Audit was approved at our January 21st, 2003 Board Meeting; therefore we are uncertain as to where The Grand Jury would have obtained a copy of Ophir Hill Fire Protection District's 2000 Audit. We could have provided the 2001 if The Grand Jury was unable to wait for final approval of our 2002 audit. Ophir Hill has annual audits performed by a Certified Public Accountant and to the best of our knowledge The District is in compliance with the California Government Code Section 26909(b).

Under RECOMMENDATIONS item #4: California Government Code Section 26909 (b) requires the report to be filed within 12 months of the end of the fiscal year. Ophir Hill Fire Protection has annual audits performed in July of each year, following our June 30th fiscal year end, and The District is unaware of any late filings or missed audits.

I have enclosed a copy of our 2002 Annual Audit as well as our 2001 Annual Audit and hope this will be sufficient in determining Ophir Hill Fire Protection District's compliance with California Government Code Section 26909. I am also forwarding a copy of this letter as well as 2002 & 2001 Annual Audits to The Grand Jury.

Respectfully,

Carol Fassino
Board Secretary/Bookkeeper
Ophir Hill Fire Protection District

REC'D BY SUPERIOR COURT
DATE: 5-22-03
BY:



HIGGINS AREA FIRE PROTECTION DISTRICT
of Nevada County

10106 Combie Road, Auburn, CA 95602
Phone (530) 269-2488 • 268-0844 • Fax (530) 268-7737

June 20, 2003

Honorable Ersel L. Edwards
Presiding Judge
Nevada County Superior Court
201 Church Street
Nevada City, CA 95959

RECEIVED
JUN 24 2003

Dear Judge Edwards:

On behalf of the Higgins Area Fire Protection District and its Board of Directors, the following is our response to the 2002-2003 Grand Jury Findings and Recommendations on Special Districts' Revenues and Reserves applying to our district:

FINDINGS

1. While the Higgins Area Fire Protection District cannot comment on the "retained earnings" of other departments, the "reserves" noted for the Higgins Fire Protection District in the Grand Jury report for FYE 6/30/02 are not the "reserves" for the single FYE 6/30/02 but rather an accumulated fund balance. The excess of revenues, per our audit, for that FYE 6/30/02 is actually \$36,482.
2. Our fiscal year ending fund balance ("reserves") is revenue that is applied/designated towards the next fiscal year's first six months of operation in order to avoid contra advances from the County.
3. The Higgins Area Fire Protection District, per its Audit Policy, completes an audit annually conducted by an external audit firm.

RECOMMENDATIONS

1. The Higgins Area Fire Protection District cannot comment on the "reserves" of other departments, but it is our practice to routinely review our carryover (fund balance) in coordination with the preparation of the District's Annual Budget. While we do not have a written guideline within our Budget Policy specifically governing fund balances, we will discuss the issue with our external auditors to develop one and formalize our current practices. A large portion of the District's carryover is designated for use during the first six months of the next fiscal year and the remainder for the following fiscal year, thereby avoiding contra operating advances from the County and maintaining the District's debt free status.

Sincerely,

Frank G. Rowe
Battalion Chief

Cc: Chief Tony Clarabut
Capt. Jerry Good
Board of Directors

REC'D BY SUPERIOR COURT

DATE: 6-24-03
BY:

*Following
the open district
of 6/26/03*

DONNER SUMMIT PUBLIC UTILITY DISTRICT

P.O. Box 610 - Soda Springs California -95728
Phone (530) 426-3456 - Fax (530) 426-3460
Web Site - www.dspud.com E-mail - info@dspud.com

BOARD MEMBERS

Dale Verner
President

Julie Davies
Vice President

Bob Sherwood

Sandra Harmon

Carl Middleton

Roberta Salem
Clerk of the Board

DISTRICT STAFF

Thomas G. Skjelstad
Interim General
Manager

Bob Birch
Sewer & Water
Supervisor

Doug Rinella
Fire Chief, CDF

Geoff...
Attc... At Law
District Counsel

SUBCOMMITTEES

Planning (Standing)

Board Policy (Standing)

Finance (Standing)

Sewer Plant
Expansion

Sugar Bowl Master
Water Agreement

Fire Services Contract
Review

June 19, 2003

Honorable Ersel L. Edwards, Presiding Judge
Grand Jury, County of Nevada
201 Church St.
Nevada City, CA 95959

Honorable Ersel L. Edwards:

The Donner Summit Public Utility District is in receipt of and now has had time to review the report entitled Special Districts Revenues and Reserves, as prepared by the Civil Grand Jury of Nevada County. The Directors of this District appreciate the opportunity to respond by way of this letter.

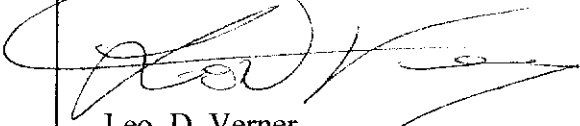
As to the findings made by the grand jury, this District does not dispute the findings 1 thru 7. Of course short of contacting each of the districts listed, we have no way of knowing that the data or history of audits as presented is correct.

With regards to recommendations made by the grand jury, this District is in the process of developing a written policy which will govern the accumulation of retained earnings, which we understand in this instance to mean reserve funds. We find it interesting however, that the Little Hoover Commission chose to compare the amount of reserve funds to annual operating revenues. We believe that if any evaluation is warranted it should be reserves to net plant and equipment, which in the District's case exceeds \$4 million. Though unwritten, it is the policy of this District that reserve funds are to be used for the replacement or repair of fixed assets, not operations.

As far as developing and adopting plans for utilization of any excess retained earnings, this District already has a repair and/or replacement schedule for its fixed assets. We believe and are confident that our rate payers understand the benefit of such forward thinking.

In closing, we trust that we have made it clear as to our policy regarding reserve funds and their use.

Respectfully,



Leo. D. Verner
President, DSPUD Board of Directors

REC'D BY SUPERIOR COURT

DATE: 6-25-03

BY: *Carl J. Edwards*

Recd - FYI
9/18/03

NEVADA CEMETERY DISTRICT
P.O. Box 1993
Grass Valley, CA 95945

15 September 2003

DIETER JULI
Foreman
GRAND JURY
COUNTY OF NEVADA
950 Maidu Avenue
Nevada City, CA 95959

Honorable Jurists:

In response to your letter of August 25, 2003, I telephoned your office in an effort to ascertain exactly how you wished we respond to your report, as we had sent a lengthy letter on 18 June 2003.

We thought we had properly responded to your Report of Special Districts. However, please be advised further that we agree with the findings contained in the report.

If you need any further information from us, please do not hesitate to contact me at (530)888-0368.

Yours very truly,



Ann Massuere
Secretary to the Board

AM:hs



*Follow-up
then Spec District*

J 6/26/03

**NEVADA CEMETERY DISTRICT
P.O. Box 1993
Grass Valley, CA 95945**

18 June 2003

DIETER JULI
Foreman
GRAND JURY
COUNTY OF NEVADA
950 Maidu Avenue
Nevada City, CA 95959

Honorable Jurists:

We are in receipt of the Grand Jury Report on Special Districts Revenues and Reserves published 23 April 2003. This is our response which is required by 23 June 2003.

FINDINGS:

There were no findings with regard to Nevada Cemetery District, so no corrective plan of action is necessary.

RECOMMENDATIONS:

1. Nevada Cemetery District has written guidelines governing the accumulation of retained earnings as part of its 26-page Operating Budget 2003/2004. This Budget is prepared on an annual basis, with discussion of the retained earnings which are maintained in our Capital Funds.
2. The plan of utilizing the retained earnings is put forth in the annual Operating Budget.
3. Not Applicable to Nevada Cemetery District.
4. Nevada Cemetery District has always had annual independent audits performed and filed with the appropriate oversight agencies.
5. Not Applicable to Nevada Cemetery District.
6. Not Applicable to Nevada Cemetery District.

7. Nevada Cemetery District elects to continue its practice of conducting annual independent audits. Cost containment is effected as the audit contract covers 3 fiscal years; this reduces the cost of each audit as the Certified Public Accountant is familiar with the policies and procedures of Nevada Cemetery District.

Thank you for your attention in this regard.

Yours very truly,

A handwritten signature in black ink, appearing to read "David Ray". The signature is written in a cursive style with a large, looped initial "D".

David Ray
Chairperson
Board of Trustees

DR:am
ENC.