

FILED

JUN 29 2009

SUPERIOR COURT OF CALIFORNIA
COUNTY OF TRINITY
BY: DONNA HANOVER, DEPUTY CLERK

DH

**TRINITY COUNTY GRAND JURY
2008-2009**

**SPECIAL DISTRICTS COMMITTEE
FINAL REPORT**

AUDIT COMPLIANCE AND INVESTIGATION

**This Report Was Approved
On June 1, 2009**

**2008-2009 TRINITY COUNTY GRAND JURY
SPECIAL DISTRICTS COMMITTEE
FINAL REPORT**

AUDIT COMPLIANCE AND INVESTIGATION

PURPOSE:

The Trinity County Grand Jury is charged each year with reviewing fiscal activities and operations of entities under its authorized purview to assure that residents are being well served. The Special Districts Committee chose the topic of audit compliance as administered by the Trinity County Auditor-Controller's office, in conjunction with the California State Controller's Office.

BACKGROUND:

Special districts are required by California State law to have an annual (or bi-annual) financial audit of their books and records. (Attachment 1). These are to be turned in to the office of the Trinity County Auditor-Controller.

METHOD OF INVESTIGATION:

A questionnaire was sent to the individual special districts. (Attachment 2) A request was made of the Auditor-Controller to provide the committee with the current status of the audit reports received from special districts.

FINDING #1:

The Auditor-Controller reported that all 2007 audits had been received. The 2008 audits, due June 30, 2009, have been received from all but Hayfork Fire, Post Mountain Public Utility District (PUD), Salyer Community Services District (CSD), and Ruth Lake CSD as of May 13, 2009. (Attachment 3).

RECOMMENDATION #1:

The committee hopes that all special districts continue to remain compliant and that those listed above get theirs in on time. The Grand Jury should continue to monitor compliance.

FINDING # 2:

The committee gathered information on the cost of the audits to the special districts from responses to the questionnaire. The small volunteer fire departments and CSDs spend around \$2,000 per year on their audits; the range was from \$1,200 for Hayfork Parks and Recreation District to \$2,150 for Lewiston CSD. Hayfork Fire Protection District paid \$2,600 for its biannual audit, and the Ruth Lake CSD paid \$3,000. The larger entities, such as the Mountain Community Health Services District, Trinity PUD, and the Trinity County Water Works District No. 1 all pay much more for more involved audits. (See attachment 4.)

RECOMMENDATION #2:

Many of the small fire departments do not have tax-based income, but rely only on donations and proceeds from working with CalFire and Forest Service. The annual burden of the audit cost should be reduced, perhaps by applying for a bi-annual audit (see Attachment 1 for the process).

CONCLUSION:

The Special Districts Committee has concluded that all special districts are currently in compliance with their responsibility to file audit reports with the Trinity County Auditor-Controller's office. The Grand Jury encourages the Board of Supervisors to give the small volunteer districts relief in the form of two or five-year audits. The money saved could help them procure needed equipment or training.

RESPONSES REQUIRED:

<u>Entity</u>	<u>Finding/Recommendation</u>	<u>Respond in</u>
Board of Supervisors	1,2	90 days
Auditor-Controller	1	60 days
Hayfork Fire Protection District	1	60 days
Post Mountain PUD	1	60 days
Salyer CSD	1	60 days
Ruth Lake CSD	1	60 days

ATTACHMENT #1

CALIFORNIA CODES
GOVERNMENT CODE
SECTION 26900-26915

26900. The auditor shall examine and settle the accounts of any persons indebted to the county or holding money payable into the county treasury, and shall certify the amount to the treasurer. Upon the presentation and filing of the treasurer's receipt therefor, the auditor shall give to such person a discharge and charge the treasurer with the amount received by him.

26901. The county auditor may require any person or officer indebted to the county or holding money payable into the county treasury to make an oath as to the total amount of money payable by him to the county or into the county treasury, and on what account.

26902. "Money payable into the county treasury," as used in Sections 26900 and 26901, includes money belonging to estates of deceased persons and required by law to be paid to the county treasurer, taxes on inheritances and transfers, any money deposited by order of court, and any other money deposited with the county treasurer by virtue of any official authority whatever.

26903. Whenever money or credits, or evidences thereof, are transmitted to the county treasurer by any state officer or employee for deposit in the county treasury or in the treasury of any political subdivision, public or municipal corporation, or district of which the county treasurer is the treasurer, the transmitter shall at the time of the transmission also transmit to the county auditor a notice stating the following:

- (a) The amounts of money or credits or evidences thereof transmitted.
- (b) The mode of transmission and the date when the transmitter placed the money or credits, or evidences thereof, in course of transmission or deposited them with the county treasurer.
- (c) A description of the money or credits, or evidences thereof, and the purpose for which transmitted.

The auditor shall file the notices in his office and shall notify the treasurer of their receipt.

26904. The auditor shall keep accounts current with the treasurer, and when any person deposits with the auditor any receipt given by the treasurer for any money paid into the treasury, the auditor shall file the receipt and charge the treasurer with the amount.

26905. Not later than the last day of each month, the auditor shall

reconcile the cash and investment accounts as stated on the auditor's books with the cash and investment accounts as stated on the treasurer's books as of the close of business of the preceding month to determine that the amounts in those accounts as stated on the books of the treasurer are in agreement with the amounts in those accounts as stated on the books of the auditor.

26906. Any money other than taxes erroneously paid into the county treasury may be returned to the person paying it *in* upon a warrant drawn by the auditor on the order of the board of supervisors based upon such voucher as shows proper evidence of the facts. The board of supervisors may, by resolution, authorize the auditor to act *in lieu* of and with the same authority as the board of supervisors *in* ordering the return of such money. If the board of supervisors authorizes the auditor to make such refunds *in lieu* of and with the same authority as the board, the auditor shall periodically, but not less than annually, file a report with the board listing all such refunds.

26906.1. The county auditor, with the approval of the board of supervisors, may impound the disputed revenues of any tax upon secured or unsecured property, levied and collected by the county for the county or any revenue district, whenever, pursuant to Chapter 5 (commencing with Section S096), Part 9, Division 1 of the Revenue and Taxation Code, a claim or action is filed for the return of the revenues, or the auditor reasonably anticipates that the tax may be refunded in whole or in part. The county auditor shall continue to impound such revenues until the final disposition of the claim or action, or a refund of the tax is no longer anticipated. If, under the final disposition, it is determined that such taxes were properly levied against such property, the auditor shall release the revenues to the county or revenue district.

26907. (a) Notwithstanding Section 26201, 26202, or 26205, the auditor or ex officio auditor may destroy any county, school, or special district claim, warrant, or any other paper issued as a warrant voucher that is more than five years old, or at any time after the document has been photographed, microphotographed, reproduced by electronically recorded video images on magnetic surfaces, or recorded on optical disk or reproduced on any other medium that does not permit additions, deletions, or changes to the original document and is produced in compliance with Section 12168.7 for recording of permanent records or nonpermanent records if the copy is kept or maintained for five years from the date of the document. A duplicate copy of any record reproduced in compliance with Section 12168.7 for recording of permanent or nonpermanent records, whichever applies, shall be deemed an original.

(b) The auditor may make a photographic record of an index or warrant register and may provide for the destruction of the index or warrant register. Any index or warrant register that is over five years old may be destroyed without being photographically or microphotographically reproduced.

26907.1. Notwithstanding the provisions of Sections 26201, 26202,

and 26205 of this code, the auditor or ex officio auditor may destroy any county, school or special district bonds or coupons which have been paid or canceled for a period of not less than five years.

26907.2. Notwithstanding the provisions of Sections 26201, 26202, and 26205 of this code, the board may authorize the destruction or disposition of the copies of any county deposit permits or deposit receipts issued by the county auditor which are more than five years old.

26908. Notwithstanding the provisions of Sections 4104.3 and 4104.5 of the Revenue and Taxation Code, the tax collector may, upon order of the board of supervisors, destroy such tax rolls two years after the last current item has been recorded thereon, provided that a photographic record of the tax roll has been made, one copy of which shall be permanently retained.

26908.5. (a) As used in this section "auditor" includes an elected or appointed officer or full-time employee of a county or a special district who is compensated, but does not include an independent contractor.

(b) All books, papers, records, and correspondence of an auditor pertaining to his or her work are public records subject to Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1 and shall be filed at any of the regularly maintained offices of the auditor. However, none of the following items or papers of which these items are a part may be released to the public by the auditor or his or her employees:

(1) Personal papers and correspondence of any person providing assistance to the auditor when that person has requested in writing that his or her papers and correspondence be kept private and confidential. Those papers and that correspondence shall become public records if the written request is withdrawn or upon the order of the auditor.

(2) Papers, correspondence, memoranda, or any substantive information pertaining to any audit not completed.

(3) Papers, correspondence, or memoranda pertaining to any audit that has been completed, which papers, correspondence, or memoranda are not used in support of any report resulting from the audit.

26909. (a) (1) The county auditor shall either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided. In each case, the minimum requirements of the audit shall be prescribed by the Controller and shall conform to generally accepted auditing standards.

(2) Where an audit of a special district's accounts and records is made by a certified public accountant or public accountant, the minimum requirements of the audit shall be prescribed by the

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Controller and shall conform to generally accepted auditing standards, and a report thereof shall be filed with the Controller and with the county auditor of the county in which the special district is located... The report shall be filed within 12-011t-n-Q.f.. th-e~ of thefisca~! ~- ge~~~::~!: ~-~affiinat~n:~--

(3) Any costs incurred by the county a~~, incTli"ding contracts with, or employment of, certified public accountants or public accountants, in making an audit of every special district pursuant to this section shall be borne by the special district and shall be a charge against any unencumbered funds of the district available for the purpose.

(4) For a special district that is located in two or more counties, the provisions of this subdivision shall apply to the auditor of the county in which the treasury is located.

(5) The county controller, or ex officio county controller, shall effect this section in those counties having a county controller, or ex officio county controller.

(b) A special district may, by unanimous request of the governing board of the special district, with unanimous approval of the board of supervisors, replace the annual audit required by this section with one of the following, performed in accordance with professional standards, as determined by the county auditor:

(1) A biennial audit covering a two-year period.

(2) An audit covering a five-year period, if the special district's annual revenues do not exceed an amount specified by the board of supervisors.

(3) An audit conducted at specific intervals, as recommended by the county auditor, that shall be completed at least once every five years.

(c) (1) A special district may, by unanimous request of the governing board of the special district, with unanimous approval of the board of supervisors, replace the annual audit required by this section with a financial review, in accordance with the appropriate professTOiia"l;tandards;-as-ermined by the county auditor, if the following conditions are met:

(A) All of the special district's revenues and expenditures are transacted through the county's financial system.

(B) The special district's annual revenues do not exceed one hundred fifty thousand dollars (\$150,000).

(2) If the board of supervisors is the governing board of the {special district, it may, upon unanimous approval, replace the annual !audit of the special district required by this section with a financial review in accordance with the appropriate professional standards, as determined by the county auditor, if the special district satisfies the requirements of subparagraphs (A) and (B) of paragraph (1).

(d) Notwithstanding the provisions of this section, a special district shall be exempt from the requirement of an annual audit if the financial statements are audited by the Controller to satisfy federal audit requirements.

26910. The auditor may at any reasonable time and place examine the books and records of any special purpose assessing or taxing district located wholly in the county.

26911. Whenever a special district has elected to have its assessments collected by the county on the property tax roll, the

district shall transmit to the county auditor, no later than August 10 of each year, a statement of the rates fixed for assessments.

26912. (a) For the purposes of this section, a local agency includes a city, county, city and county, and special district, as such terms are defined in Article 1 (commencing with Section 2201) of Chapter 3 of Part 4 of Division 1 of the Revenue and Taxation Code, if such local agency levied a property tax during the 1977-78 fiscal year or if a property tax was levied for such local agency for such fiscal year, except that the Bay Area Pollution Control District shall be considered a local agency.

(b) For the 1978-79 fiscal year only, the amount of revenue derived from levying a tax pursuant to subdivision (b) of Section 2237 of the Revenue and Taxation Code shall be allocated by the county auditor, subject to the allocation and payment of funds, as provided for in subdivision (b) of Section 33670 of the Health and Safety Code, to each local agency, school district, county superintendent of schools, and community college district in the following manner:

(1) (A) The auditor shall determine the local agency share of 1978 -79 property tax revenue by dividing the amount of property tax revenue received by all local agencies in 1977-78 by the total amount of property tax revenue received by all local agencies, school districts, community college districts, and county superintendents of schools in the 1977-78 fiscal year, and multiplying the quotient by the total amount of revenue generated pursuant to subdivision (b) of Section 2237 of the Revenue and Taxation Code.

(B) For each local agency, the county auditor shall compute a factor equal to the average amount of property tax revenue received in the three fiscal years prior to the 1978-79 fiscal year by each local agency within the county, divided by the average amount of property tax revenue received by all such agencies during the three fiscal years prior to the 1978-79 fiscal year. The county auditor shall multiply the factor for each local agency by the amount of revenue determined pursuant to subparagraph (A).

(C) Notwithstanding subparagraph (B), in each case where a local agency has been formed in the past three years and has assumed the duties of another local agency, it shall be entitled to the average amount of revenue for the prior three years of the local agency from whom it assumed its duties.

(D) For the purposes of subparagraphs (A) and (B), local agency shall not include a local agency formed after January 1, 1976.

(2) (A) The county auditor shall determine the school share of the 1978-79 fiscal year property tax revenue by subtracting the local agency share, as determined under subparagraph (A) of paragraph (1) of this subdivision, from the total amount of revenue generated pursuant to subdivision (b) of Section 2237 of the Revenue and Taxation Code.

(B) For each school district, county superintendent of schools, and community college district, the county auditor shall compute a factor equal to the amount of property tax revenue received in the 1977-78 fiscal year by such district and the county superintendent of schools within the county divided by the total amount of property tax revenue received by all such districts and the county board of education in the 1977-78 fiscal year. The county auditor shall multiply the factor for each school district, county superintendent of schools, and community college district by the amount of revenue

determined pursuant to subparagraph (A). For the purpose of this paragraph, local agencies formed after January 1, 1976, shall be considered school districts.

(3) For the purpose of this subdivision, the amount of proceeds of any property tax actually and separately levied for the specific purpose of making annual payments for the interest and principal on outstanding general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978, including tax rates levied pursuant to Part 10 (commencing with Section 15000) of Division 1 of Sections 39308, 39311, 81338, and 81341 of the Education Code, shall be excluded from all calculations.

(4) The amounts computed under this subdivision shall be the amount of property tax revenue to be allocated to each local agency for the 1978-79 fiscal year.

(5) As used in this section, "property tax revenue" includes the amount of state reimbursement for the homeowners' and business inventory exemptions.

(c) For the 1978-79 fiscal year only, the amount of state reimbursement to each county with respect to property tax losses pursuant to the homeowners' exemption under Section 218 of the Revenue and Taxation Code, the business inventory exemption under Section 219 of the Revenue and Taxation Code, and the special treatment accorded livestock, motion pictures and wine and brandy under Sections 5523, 988, and 992, respectively, of the Revenue and Taxation Code, shall be allocated by each county auditor, subject to the allocation and payment of funds, as provided in subdivision (b) of Section 33670 of the Health and Safety Code, to local agencies, school districts, county superintendents of schools, and community college districts within the county pursuant to the proportions established in subdivision (b). This subdivision shall not apply to reimbursements with respect to tax rates levied to pay the interest.

or principal on outstanding general obligation bonds or other indebtedness approved by the voters prior to July 1, 1978.

(d) For local agencies, school districts, and community college districts located in more than one county, the county auditor of each county in which such local agency or district is located shall, for the purposes of computing the amount for such local agency or district pursuant to paragraphs (1) and (2) of subdivision (b), treat the portion of the local agency or district located within that county as a local agency or district.

26912.1. (a) For the 1978-79 fiscal year only, an amount shall be computed for each local agency, as defined in subdivision (a) of Section 26912, and for each school district, community college district and county superintendent of schools, equal to the sum of the amounts computed pursuant to subdivision (b) of this section. This amount shall be used for the computation of the amount of state assistance to be allocated to local jurisdictions for the 1978-79 fiscal year.

(b) (1) The county auditor shall determine an amount equal to the amount which would be generated by applying a tax rate of four dollars (\$4) per hundred dollars (\$100) of assessed valuation to the total amount of taxable assessed valuation within the county for 1977-78. For purposes of this computation, "taxable assessed valuation" shall be determined as though the homeowners' and business inventory exemptions did not exist.

(2) The amount computed for each local agency, school district, community college district and county superintendent of schools

within the county shall be equal to the amount which each such local jurisdiction would receive if the amount computed pursuant to paragraph (1) were allocated, subject to the allocation and payment of funds as provided in subdivision (b) of Section 33760 of the Health and Safety Code, pursuant to the proportions established in subdivision (b) of Section 26912.

26912.2. Notwithstanding Section 26912, no allocation of property taxes levied pursuant to subdivision (b) of Section 2237 of the Revenue and Taxation Code shall be made in the 1979-80 fiscal year and thereafter to the Central Delta Water Agency or to the South Delta Water Agency.

26912.7. Notwithstanding any other provision of law, for the purposes of subdivision (d) of Section 95 and subdivision (a) of Section 2237 of the Revenue and Taxation Code, a voted override tax voted specifically for a lease or lease purchase of facilities under the provisions of former Section 42244 of the Education Code shall be deemed to be "other indebtedness," if such voter approved override was approved prior to July 1, 1978.

26913. If the governing body of a local agency notifies the county auditor by July 10 that it does not wish to receive its total allocation pursuant to Section 26912, the funds not claimed by such agency shall be allocated pursuant to Section 26912.

26914. Notwithstanding the provisions of Section 26912, in any county in which the county superintendent of schools became fiscally independent on or after June 30, 1977, the apportionment of the revenue derived from the unsecured roll by applying the county ad valorem tax rate provided pursuant to subdivision (b) of Section 2237 of the Revenue and Taxation Code shall be made as if the county superintendent of schools had in fact derived revenue from the unsecured roll in the 1977-78 fiscal year based on the county superintendent's tax rate on the secured roll in that year. The factors determined pursuant to subdivision (b) of Section 26912 shall be adjusted accordingly and there shall be added to the total amount of property tax revenue received by the county superintendent of schools in the 1977-78 fiscal year an amount equal to the amount of such revenue from the unsecured roll.

26915. (a) Any requirement that an audit be performed by the county auditor may, at the election of the board of supervisors, also be performed by a county employee or officer who meets both of the following qualifications:

(1) The person possesses a valid certificate issued by the California Board of Accountancy and a permit authorizing the person to practice as a certified public accountant or as a public accountant.

(2) The employee or officer is independent in accordance with Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct.

(b) The election made by the board of supervisors pursuant to subdivision (a) may be in effect for no more than two years after the date that the vote is taken by the board, but the election may be renewed upon expiration.

(c) This section shall only be applicable in the County of Orange.

(d) Nothing in this section is intended to preclude a county her auditor from performing his or statutorily prescribed duties.

Attachment 2:



TRINITY COUNTY

TRINITY COUNTY GRAND JURY

P.O. Box 2308

Weaverville, CA 96093

Special Districts Committee

April 20, 2009

Trinity Hospital
Mountain Community Medical Services District
PO Box 1229
Weaverville, CA 96093

We have a concern about the burden placed on Special Districts by the annual audit requirement. Could you please respond with information about your district.

1. Are you current with the audit requirement?
2. When was your last audit performed?
3. How much did it cost?

Thank you for your cooperation.

Sincerely,

John Rourke
Chairman

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MAY 13 2009

**TRINITY COUNTY
SUPERIOR COURT**



TRINITY COUNTY
DAVID NELSON, AUDITOR-CONTROLLER
ANGELA BICKLE, CHIEF DEPUTY AUDITOR
P.O. BOX 1230, WEAVERVILLE, CALIFORNIA 96093-1230
PHONE (530) 623-1317 FAX (530) 623-1323

May 13, 2009

Mr. John Rourke

Per our discussion earlier this week, attached you will find the government code 26909 that provides the guidelines for special district reporting. The districts have until June 30, 2009 to submit the 2008 Audit. I have not yet received 2008 audits for Hayfork Fire, Post Mountain PUD, Salyer CSD, and Ruth Lake CSD. We have received all required Audits for 2007.

Sincerely,

David Nelson
Auditor Controller

(430) 623 1317
dnelson@trinitycounty.org

Attachment 4

SPECIAL DISTRICTS AUDIT COST SURVEY RESULTS

Hayfork Parks and Recreation District	\$1,200
Hyampom Community Services District	\$1,750
Coffee Creek Volunteer Fire District	\$1,850
Douglas City Community Services District	\$1,850
Weaverville-Douglas City Parks & Recreation	\$1,850
Trinity Center Community Services District	\$1,850
Junction City Fire District	\$1,850
Weaverville Fire District	\$1,900
Salyer Community Services District	\$2,000
Lewiston Community Services District (quoted \$2,450 for 2008-2009)	\$2,150
Hayfork Fire Protection District (bi-annual)	\$2,600
Weaverville Sanitary District	\$3,000
Ruth Lake Community Services District	\$3,000
Trinity County Resource Conservation District	\$5,000
Weaverville Community Services District	\$6,337
Trinity County Waterworks District #1	\$7,700
Trinity Community Health Services District	\$14,250
Trinity County Public Utilities District	\$28,000



HAYFORK FIRE PROTECTION DISTRICT

PO Box 668, Hayfork, CA 96041



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AUG - 4 2009

TRINITY COUNTY
SUPERIOR COURT

July 16, 2009

To Whom It May Concern:

The Hayfork Fire Protection District (HFPD) concurs with "FINDINGS Number 1" and "RECOMMENDATION Number 1" Trinity County Grand Jury Report "*Audit Compliance & Investigation.*"

As per our requirement and under "RECOMMENDATION Number 1" we have completed our 2008 audit by the deadline of June 30, 2009. The Trinity County Auditor's Office and the State of California have both received copies.

If you would like to have a copy of the audit please feel free to contact me and I would be happy to send one to you.

Sincerely,


Peggy Halderman, Clerk of the Board



TRINITY COUNTY

DAVID NELSON, AUDITOR-CONTROLLER
ANGELA BICKLE, CHIEF DEPUTY AUDITOR
P.O. BOX 1230, WEAVERVILLE, CALIFORNIA 96093-1230
PHONE (530) 623-1317 FAX (530) 623-1323

RECEIVED
AUG 31 2009
TRINITY COUNTY
SUPERIOR COURT

TO: The Honorable James Woodward,
Presiding Judge of the Superior Court

FROM: David Nelson, Auditor/Controller

CC: Wendy Tyler, Clerk of the Board

SUBJECT: Response to Recommendations of 2008-09
Grand Jury Special Districts Committee
Final Report on Audit Compliance and Investigation

DATE: August 24, 2009

The Grand Jury Special Districts Committee has requested a written response to their final report on Audit Compliance and Investigation. In my capacity as Auditor/Controller, my response is as follows:

Finding #1: The Auditor-Controller reported that all 2007 audits had been received. The 2008 audits, due June 30, 2009, have been received from all but Hayfork Fire, Post Mountain Public Utility District (PUD), Salyer Community Service District (CSD), and Ruth Lake CSD as of May 13, 2009.

Response: attached letter dated May 13, 2009

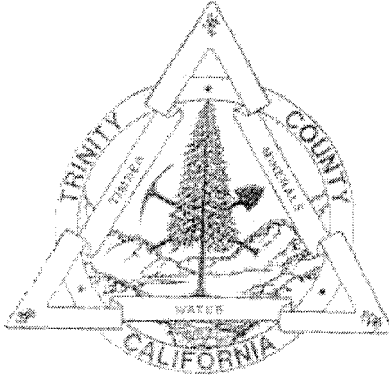
Recommendation #1: The Committee hopes that all special districts continue to remain compliant and that those listed above get theirs in on time. The Grand Jury should continue to monitor compliance.

Response: I concur, as of August 1, 2009 all Districts are current except for Salyer CSD and Post Mountain PUD.

RECEIVED

MAY 13 2009

**TRINITY COUNTY
SUPERIOR COURT**



TRINITY COUNTY

DAVID NELSON, AUDITOR-CONTROLLER
ANGELA BICKLE, CHIEF DEPUTY AUDITOR
P.O. BOX 1230, WEAVERVILLE, CALIFORNIA 96093-1230
PHONE (530) 623-1317 FAX (530) 623-1323

May 13, 2009

Mr. John Rourke

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Sincerely,

David Nelson
Auditor Controller

(430) 623 1317
dnelson@trinitycounty.org



TRINITY COUNTY

Board of Supervisors

P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093
PHONE (530) 623-1217 FAX (530) 623-8365

TO: The Honorable James Woodward,
Presiding Judge of the Superior Court

FROM: Trinity County Board of Supervisors *Wendy Reiss*

SUBJECT: Response to Recommendations of 2008-09
Grand Jury Special Districts Committee Audit Compliance and Investigation
Final Report

DATE: October 6, 2009

The Grand Jury Special Districts Committee has requested a written response to their final report on the Audit Compliance and Investigation. The Board of Supervisors' response is as follows:

Finding #1: The Auditor-Controller reported that all 2007 audits had been received. The 2008 audits, due June 30, 2009, have been received from all but Hayfork Fire, Post Mountain Public Utility District (PUD), Salyer Community Services District (CSD), and Ruth Lake CSD as of May 13, 2009. (Attachment 3).

Response: Agree with the finding.

Recommendation #1: The committee hopes that all special districts continue to remain compliant and that those listed above get theirs in on time. The Grand Jury should continue to monitor compliance.

Response: This is not within the Board of Supervisors' Jurisdiction.

Finding #2: The committee gathered information on the cost of the audits to the special districts from responses to the questionnaire. The small volunteer fire departments and CSDs spend around \$2,000 per year on their audits; the range was from \$1,200 for Hayfork Parks and Recreation District to \$2,150 for Lewiston CSD. Hayfork Fire Protection District paid \$2,600 for its biannual audit, and the Ruth Lake CSD paid \$3,000. The larger entities, such as the Mountain Community Health Services District, Trinity PUD, and the Trinity County Water Works District No. 1 all pay much more for more involved audits. (See attachment 4.)

JUDY PFLUEGER
DISTRICT 1

JUDY MORRIS
DISTRICT 2

ROGER JAEGL
DISTRICT 3

HOWARD FREEMAN
DISTRICT 4

WENDY REISS
DISTRICT 5

Response: Agree with the finding.

Recommendation #2: Many of the small fire departments do not have tax-based income, but rely only on donations and proceeds from working with CalFire and Forest Service. The annual burden of the audit cost should be reduced, perhaps by applying for a bi-annual audit (see Attachment 1 for the process).

Response: We agree that Districts should seek the most cost effective and reliable methods to obtain compliance with auditing standards.