

CONFUSION AND CHAOS IN RICHGROVE

BACKGROUND:

Special Districts in the State of California first began as a means to meet the water needs of farmers in the San Joaquin Valley. Hampered by an inconsistent water supply, plus largely varying prices, farmers in Stanislaus County organized the Turlock Irrigation District under the Wright Act of 1887. The Wright Act allowed a majority of residents in an area to form a public entity for water delivery, and to finance its operation through the sale of bonds. The Turlock Irrigation District originated California's Special District Concept, and made it possible for San Joaquin Valley farmers, and others, such as Tulare County's Richgrove Community Service District (RCSD) to intensify and diversify their domestic and agricultural activities.

Richgrove, California is an unincorporated farming community located south of Porterville, California and is classified as a Census Designated Place in Tulare County, California. Census Designated Places are defined to provide data for settled concentrations of population that are identifiable by name but are not legally incorporated under the laws of the state in which they are located.

Richgrove's land area spans 0.452 square miles, is without surface water, and its boundaries are defined in cooperation with local officials and generally updated prior to each census taken every ten years. The population was 2,882 at the 2010 census, representing a slight increase over the 2000 census.

REASON FOR INVESTIGATION:

The 2013-2014 Grand Jury submitted a carryover request to the Presiding Judge for authorization to allow further scrutiny of the complaint. The Presiding Judge approved the request and the investigation was restarted by the 2014-2015 Tulare County Grand Jury.

The 2013-2014 Tulare County Grand Jury received a citizen complaint regarding action and non-action by members of the Richgrove Community Services District (RCSD) Board of Directors (Board). The RCSD has had problems in the past; an embezzlement indictment in 2008, inadequate internal controls were established to prevent similar problems from occurring again, and audits have not taken place from 2007-2011. Past Grand Juries have investigated similar matters pertaining to the district's operation.

METHOD OF INVESTIGATION:

The Tulare County Grand Jury began its 2014-2015 fiscal year by reviewing the previous jury's turnover documents.

The RCSD complaint process began with scheduled interviews with relevant witnesses of the district and a certified public accountant (CPA). The Grand Jury attended three Board meetings and reviewed documents provided by the RCSD during the course of its investigation. By-laws were subpoenaed but not received.

The Grand Jury attended two Board meetings.

FACTS:

1. The Tulare County Grand Jury received a complaint regarding Board's fiscal accounting procedures.
2. A review of relative documents and inquiries has shown a history of a dysfunctional relationship between Board auditing procedures and a financial consultant's professional recommendations.
3. A county document, dated August 17, 2014, reports the RCSD has not filed their audits with the county for multiple years, (2007, 2008, 2009, 2010, and 2011) as required by California Government Code (Cal. Gov. Code) §26909. A RCSD representative informed the Grand Jury that a Limited Liability Partnership (LLP) was contacted to perform the audits for the years mentioned and that these reports would be available to the Grand Jury by September 2014. The Grand Jury has since been informed by the LLP that the preliminary audit report was not performed.
4. Penal Code §933.5 allows the Grand Jury to investigate a "special purpose assessing or taxing district", commonly referred to as a "Special District."
5. The complaint did not include allegations of willful misconduct, illegal activity, or acts of wrong doing on the part of the Board, although the complaint did warn that the prospect of wrongful action is heightened by RCSD's non-compliance with required auditing standards.
6. The Grand Jury consulted with the Tulare County District Attorney (DA) for their review of the complaint. The DA did not discover reasons that would warrant their follow up. The complaint was returned to the Grand Jury for further action.
7. 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 special audit with a biennial audit. In the event the district's annual budget does not

exceed an amount specified by the Board of Supervisors, an audit covering a five year period may be approved.

8. Minimum requirements, which the State Controller must prescribe pursuant to Cal. Gov. Code §26909, requires that a Special District audit be filed with the State Controller and the county auditor. A professional independent Certified Public Accountant or public accountant undertaking an audit of a California Special District should have a sufficient knowledge and training to enable compliance with both the Generally Accepted Accounting Standards and the Generally Accepted Government Auditing Standards.
9. Pursuant to Cal. Gov. Code §61050 (b) and §61052 (a), the county treasurer of the principal county shall serve as the treasurer of the district, except as provided by Cal. Gov. Code §61053.
10. The Cal. Gov. Code §61053 provides that a Special District's Board Of Directors (SDBD) has authority to appoint a general manager and to designate an alternative depository, instead of The County Treasurer, by appointing a district treasurer who serves in place of The County Treasurer. As a result, the SDBD may appoint the same person to be the general manager and the district treasurer. Both positions serves at the pleasure of the SDBD. Compensation for these positions is set by the SDBD.
11. The Cal. Gov. Code §61053 (3) further stipulates that the SDBD adopt a system of accounting and auditing that shall completely and at all times show the district's financial condition and that the system of accounting and auditing shall adhere to generally accepted accounting principles.
12. The Cal. Gov. Code §61051 requires the general manager of the district to be responsible for the supervision of the district's finances.

FINDINGS:

- F1. The Board has not submitted a financial audit in seven years. An anticipated five year preliminary audit has not been performed.
- F2. The Board has not shown sufficient knowledge and training to enable compliance with Generally Accepted Accounting Standards and Audits of State and Local Governmental Units publication.
- F3. Design or operational deficiencies of the Board internal control procedures adversely affect the district's ability to record, process, summarize and report financial data that would support minimum auditing requirements.

F4. The RCSD Board has shown their dysfunction in parliamentary procedure and their compliance with The Brown Act is questionable. During the course of its investigation, the Grand Jury examined applicable laws and regulations pertaining to Special District requirements.

CONCLUSION:

1. The RCSD is not in compliance with proper study and evaluation of its existing internal control and financial organizational structure per established auditing code requirements.

RECOMMENDATIONS:

- R1. The Board will establish regular requirement for Richgrove Community Services District's officers to attend and practice the Tulare County Council Special District Government Basic Training concepts.
- R2. The Board will have knowledge and training to enable compliance with both Generally Accepted Accounting Standards and Generally Accepted Government Auditing Standards.
- R3. Pursuant to Cal. Gov. Code §61050 (b) and §61052(a), the Tulare County Treasurer shall become the treasurer of the RCSD, be the depository, and have custody of all district money.
- R4. The Board will require a legal advisor and financial consultant in attendance at board meetings.
- R5. Pursuant to Cal. Gov. Code §61053, the Board may petition for the resumption of its financial control once the county standards and educational recommendations have been met and approved by the Tulare County Local Agency Formation Commission.

REQUIRED RESPONSES:

1. Richgrove Community Services District Board ✓
2. Tulare County Board of Supervisors ✓
3. Tulare County Local Agency Formation Commission ✓

Disclaimer

Grand Jury reports are based on documentary evidence and the testimony of sworn or admonished witnesses, not on conjecture or opinion. However, the Grand Jury is precluded by law from disclosing such evidence except upon specific approval of the Presiding Judge of the Superior Court, or another judge appointed by the Presiding Judge (Penal Code Section 911, 924.1 (a) and 929). Similarly, the Grand Jury is precluded by law from disclosing the identity of witnesses except upon an order of the court for narrowly defined purposes (Penal Code Section 924.2 and 929).

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RICHGROVE, CA 93261
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RICHGROVE COMMUNITY SERVICES DISTRICT

May 1, 2015

The Honorable Gary L. Paden, Presiding Judge
Tulare County Superior Court
County Civic Center, Room 303
221 S. Mooney Boulevard
Visalia, CA 93291

Re: Response by Richgrove Community Services District to the 2014-2015 Tulare County Grand Jury Final Report

Dear Judge Paden,

Please consider this correspondence the response of the Richgrove Community Services District Board to the 2014 Tulare County Grand Jury Final Report attached.

Pursuant to Penal Code 933.05(a), the Board, on behalf of the District, responds to the findings as follows:

"F1. The Board has not submitted a financial audit in seven years. An anticipated five year preliminary audit has not been submitted."

Response:

The Board disagrees wholly or partially with the finding. The District engaged the services of a Certified Public Accountant, Lynn S. Conley. She prepared reports including compiled financial statements including fiscal years ending on June 30, 2011 and June 30, 2012.

"F2. The Board has not shown sufficient knowledge and training to enable compliance with Generally Accepted Accounting Standards and Audits of State and Local Governmental Units publication."

Response:

The Board disagrees wholly with the finding. Public agency board rely on the expertise of their accountants to present and to explain their compliance with audit and accounting requirements for local public agencies such as the District and for compliance with generally accepted accounting principles and standards.

Water & Sewer District

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5-6-2015

The Honorable Gary L. Paden
May 1, 2015
Page 2 of 4

While some board members of local agencies, due to their professions, have legal or accounting experience, there is no requirement that elected board members, as public officials, must have such expertise to qualify and to hold office. The Board necessarily relies on the expertise of accounting and auditing providers to present, recommend, and explain their accounting or audit procedures and findings.

"F3. Design or operational deficiencies of the Board internal control procedures adversely affect the district's ability to record, process, summarize and report financial data that would support minimum auditing requirements."

Response:

The Board disagrees wholly with the finding. Auditing requirements are the function of auditors who have the expertise to audit and to make recommendations as needed. The issued is not due to alleged design or operational deficiencies but of engaging the professional services of a qualified, responsible, and responsive auditor to the Board. The Board is in the process of doing so as set forth in the response to recommendation four (R4) below.

"F4. The RCSD Board has shown their dysfunction in parliamentary procedure and their compliance with The Brown Act is questionable. During the course of its investigation, the Grand Jury examined applicable laws and regulations pertaining to Special District requirements."

Response:

The Board disagrees wholly with the finding. This finding is vague and ambiguous. Parliamentary procedure for small districts are not complicated which is assumed by Robert's Rules of Order for member organizations. Compliance with the Brown Act is presumed as official duty regularly performed pursuant to the California Evidence Code (section 664). This presumption is not overcome by a statement that the "Brown Act [compliance] is questionable."

Pursuant to Penal Code 933.05(b), the Board, on behalf of the District, responds to the recommendations as follows:

"R1. The Board will establish regular requirement for Richgrove Community Services District's officers to attend and practice the Tulare County Council[sic] Special District Government Basic Training concepts."

Response:

This recommendation requires further analysis. This recommendation assumes that the Tulare County Counsel has a regular program, the program is readily available for access by Board members, given their schedules, and there is no cost for any such training. The Office Manager is directed by the Board to make further inquiries regarding such training; whether such training can be presented to the Board at the District's offices; and whether such training is readily available and accessible to Board members after the work day; the schedule for live presentations; the availability of internet presentations assuming available computer access. The Board has directed the Office Manager to conduct these inquiries within (3) months of the submittal of this Response and to report to the Board

regarding any feasible implementation of such training. Based upon a feasible plan of access to such training, Board members are not opposed to such periodic training.

The Honorable Gary L. Paden
May 1, 2015
Page 3 of 4

"R2. The Board will have knowledge and training to enable compliance with both Generally Accepted Accounting Standards and Generally Accepted Auditing Standards."

Response:

This recommendation requires further analysis. This recommendation proposes a training component which would best be addressed by presentations to the Board by the same organization as described in Recommendation 1. As a small District, revenues need to be primarily devoted to customer requirements and not to paid seminars by private accountants and auditors to educate the Board in the expertise of such accountants and auditors. This is why such experts are engaged and relied upon to comply with legal accounting requirements, including auditing requirements. Moreover, accountants and auditors, in presenting reports to the District, as a public agency, necessarily include in their presentations auditing and accounting standards relied upon the Office Manager to determine if such training is available by the organization as described in R1 and the cost of private vendor seminars to be presented to the Board within the next three (3) months.

"R3. Pursuant to Cal. Gov. Code 61050(b) and 61052(a), the Tulare County Treasurer shall become the treasurer of the RCSD, be the depository, and have custody of all district money."

Response:

The recommendation will not be implemented because it is not warranted or reasonable. The Tulare County Treasurer is not the treasurer of the District. The District declines to do so. The report is primarily taking issue with accounting and legal principles. Any needs or deficiencies can be addressed through the expertise of legal counsel and accounting experts, including auditors.

"R4. The Board will require a legal advisor and financial consultant in attendance at board meetings."

Response:

The recommendation will not be implemented because it is not warranted or reasonable. Requiring a legal advisor and financial consultant in attendance at Board meetings is not economically feasible for any small public sector agency. Rather, as needed, a legal advisor and/or financial consultant may be in attendance to advise the Board. Revenues should be devoted, as much as possible, to customer service including the servicing and replacement of equipment and facilities to serve the District's customers. This is particularly important during drought years. It should be noted that the District has retained new legal counsel, Lozano Smith, LLP, in Fresno, California to advise the District and is in the process of sending Requests for proposals for accounting and auditing services for new providers of such professional services.

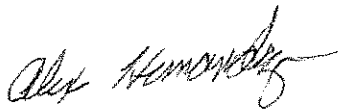
"R5. Pursuant to Cal. Gov. Code 61053, the Board may petition for the resumption of its financial control once the county standards and educational recommendations have been met and approved by the Tulare County Local Agency Formation Commission."

The Honorable Gary L. Paden
May 1, 2015
Page 4 of 4

Response:

The recommendation will not be implemented because it is not warranted or reasonable. This recommendation assumes that the Board is accepting the recommendation describes as R3 above. As recommendation is not being accepted, similarly, this recommendation is not being accepted.

Respectfully submitted,



Alex Hernandez, President
Richgrove Community Services District

Enclosure: 2014 Tulare County Grand Jury Final Report

cc: Tulare County Grand Jury
5963 S. Mooney Blvd.
Visalia, CA 93291

Tulare County Board of Supervisors
2800 W. Burrel Ave.
Visalia, CA 93291

Public Service Ethics Education Online Proof of Participation Certificate

Date of Completion: Apr 23, 2015

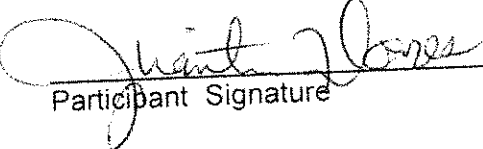
Training Time*: 2 hr. 5 min.

This course is an overview course on all public service ethics issues necessary to satisfy the requirements of Article 2.4 of Chapter 2 of Part 1 of Division 2 of Title 5 of the Government Code, including the following:

- Laws relating to personal financial gain by public servants, including, but not limited to, laws prohibiting bribery and conflict-of-interest laws.
- Laws relating to claiming perquisites ("perks") of office, including, but not limited to, gift and travel restrictions, prohibitions against the use of public resources for personal or political purposes, prohibitions against gifts of public funds, mass mailing restrictions, and prohibitions against acceptance of free or discounted transportation by transportation companies.
- Government transparency laws, including, but not limited to, financial interest disclosure requirements and open government laws.
- Laws relating to fair processes, including, but not limited to, common law bias prohibitions, due process requirements, incompatible offices, competitive bidding requirements for public contracts, and disqualification from participating in decisions affecting family members; and
- General ethical principles relating to public service.

The Fair Political Practices Commission and Attorney General have reviewed this course for course sufficiency and accuracy.

By signing below, I certify that I fully reviewed the content of the entire online AB 1234 course approved by the Attorney General and Fair Political Practices Commission and am entitled to claim two hours of public service ethics law and principles credit.


Participant Signature

Juanita Flores

Participant Name

Richgrove Community District

Agency Name

NOTE TO PARTICIPANT: Please provide a copy of this proof of participation to the custodian for such records at your agency. In addition, we recommend you make a copy of this proof of participation for your own records to retain for at least five years. To preserve the integrity of the online certification process, **these certificates are only available upon completing the online session.** * To satisfy AB 1234 requirements, this certificate must reflect that the public official spent two hours or more reviewing the materials presented in the online course. If the certificate reflects less than two hours, the participant should have on file additional certificates demonstrating that the official has satisfied the entire two hour requirement.

Public Service Ethics Education Online Proof of Participation Certificate

Date of Completion: Apr 18, 2015

Training Time*: 2 hr. 8 min.

This course is an overview course on all public service ethics issues necessary to satisfy the requirements of Article 2.4 of Chapter 2 of Part 1 of Division 2 of Title 5 of the Government Code, including the following:

- Laws relating to personal financial gain by public servants, including, but not limited to, laws prohibiting bribery and conflict-of-interest laws.
- Laws relating to claiming perquisites ("perks") of office, including, but not limited to, gift and travel restrictions, prohibitions against the use of public resources for personal or political purposes, prohibitions against gifts of public funds, mass mailing restrictions, and prohibitions against acceptance of free or discounted transportation by transportation companies.
- Government transparency laws, including, but not limited to, financial interest disclosure requirements and open government laws.
- Laws relating to fair processes, including, but not limited to, common law bias prohibitions, due process requirements, incompatible offices, competitive bidding requirements for public contracts, and disqualification from participating in decisions affecting family members; and
- General ethical principles relating to public service.

The Fair Political Practices Commission and Attorney General have reviewed this course for course sufficiency and accuracy.

—————  —————

By signing below, I certify that I fully reviewed the content of the entire online AB 1234 course approved by the Attorney General and Fair Political Practices Commission and am entitled to claim two hours of public service ethics law and principles credit.



Participant Signature

Cristina Quevedo

Participant Name

Richgrove Community Service District
Agency Name

NOTE TO PARTICIPANT: Please provide a copy of this proof of participation to the custodian for such records at your agency. In addition, we recommend you make a copy of this proof of participation for your own records to retain for at least five years. To preserve the integrity of the online certification process, **these certificates are only available upon completing the online session.** * To satisfy AB 1234 requirements, this certificate must reflect that the public official spent two hours or more reviewing the materials presented in the online course. If the certificate reflects less than two hours, the participant should have on file additional certificates demonstrating that the official has satisfied the entire two hour requirement.

Public Service Ethics Education Online Proof of Participation Certificate

Date of Completion: Mar 21, 2012

Training Time*: 2 hr. 13 min.

This course is an overview course on all public service ethics issues necessary to satisfy the requirements of Article 2.4 of Chapter 2 of Part 1 of Division 2 of Title 5 of the Government Code, including the following:

- Laws relating to personal financial gain by public servants, including, but not limited to, laws prohibiting bribery and conflict-of-interest laws.
- Laws relating to claiming perquisites ("perks") of office, including, but not limited to, gift and travel restrictions, prohibitions against the use of public resources for personal or political purposes, prohibitions against gifts of public funds, mass mailing restrictions, and prohibitions against acceptance of free or discounted transportation by transportation companies.
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- Laws relating to fair processes, including, but not limited to, common law bias prohibitions, due process requirements, incompatible offices, competitive bidding requirements for public contracts, and disqualification from participating in decisions affecting family members; and
- General ethical principles relating to public service.

The Fair Political Practices Commission and Attorney General have reviewed this course for course sufficiency and accuracy.

By signing below, I certify that I fully reviewed the content of the entire online AB 1234 course approved by the Attorney General and Fair Political Practices Commission and am entitled to claim two hours of public service ethics law and principles credit.


Participant Signature

Alex Hernandez

Participant Name

Richgrove Community Service District

Agency Name

NOTE TO PARTICIPANT: Please provide a copy of this proof of participation to the custodian for such records at your agency. In addition, we recommend you make a copy of this proof of participation for your own records to retain for at least five years. To preserve the integrity of the online certification process, **these certificates are only available upon completing the online session.** * To satisfy AB 1234 requirements, this certificate must reflect that the public official spent two hours or more reviewing the materials presented in the online course. If the certificate reflects less than two hours, the participant should have on file additional certificates demonstrating that the official has satisfied the entire two hour requirement.



County of Tulare

BOARD OF SUPERVISORS

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District One

Pete Vander Poel
District Two

Phillip A. Cox
District Three

J. Steven Worthley
District Four

Mike Ennis
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Allison Pierce

Melissa Withnell

✱

CLERK OF THE BOARD

Michelle Baldwin
Chief Clerk



Administration Bldg.
2800 West Burrel
Visalia, CA 93291

TEL: (559) 636-5000
FAX: (559) 733-6898

April 28, 2015

The Honorable Judge Gary Paden
Tulare County Superior Court, Room 303
221 South Mooney Boulevard
Visalia, CA 93291

Dear Judge Paden:

On behalf of the Board of Supervisors, the following are the Board's responses to the findings and recommendations included in the 2014/2015 Tulare County Grand Jury Report titled *Confusion and Chaos in Richgrove*. The Richgrove Community Services District (RCSD) is an independent entity and is not within the jurisdiction of the Board of Supervisors. The Board of Supervisors has no independent basis by which to respond to the specific findings and recommendation therein.

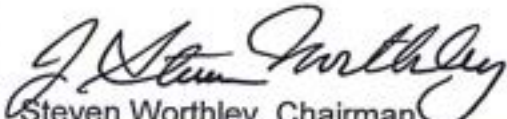
Findings 1-4

Response: As to each of the Findings in 1 through 4, the Tulare County Board of Supervisors neither agrees nor disagrees with the findings. These findings are not in the purview of the Tulare County Board of Supervisors.

Recommendations 1-5

Response: As to each of the Recommendations in 1 through 5, the recommendations will not be implemented by the Tulare County Board of Supervisors because these recommendations are not within the jurisdiction or authority of the Tulare County Board of Supervisors.

Sincerely,


Steven Worthley, Chairman
Tulare County Board of Supervisors

cc: Tulare County Grand Jury

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5-4-2015

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TULARE COUNTY LOCAL AGENCY FORMATION COMMISSION

210 N. Church St., Suite B, Visalia, CA 93291 Phone: (559) 623-0450 FAX: (559) 733-6720

COMMISSIONERS:

Juliet Allen, Chair
Rudy Mendoza, V-Chair
Allen Ishida
Cameron Hamilton
Steve Worthley

ALTERNATES:

Mike Ennis
Dennis Mederos
Craig Vejvoda

EXECUTIVE OFFICER:

Ben Giuliani

March 11, 2015

TO: The Honorable Judge Gary Paden
Tulare County Grand Jury
Tulare County Board of Supervisors

FROM: Tulare County Local Agency Formation Commission (LAFCo)

SUBJECT: Tulare County Grand Jury Report: "Confusion and Chaos in Richgrove"

On February 4th, 2015 the Tulare County Grand Jury provided a report to Tulare County LAFCo titled "Confusion and Chaos in Richgrove". The report includes a recommendation that the Tulare County Treasurer become the treasurer of the Richgrove Community Services District (CSD), be the depository, and have custody of all district money. In regards to LAFCo, the Grand Jury recommends the following:

Pursuant to Cal. Gov. Code §61053, the Board [Richgrove CSD] may petition for the resumption of its financial control once the county standards and educational recommendations have been met and approved by the Tulare County Local Agency Formation Commission.

The Grand Jury, pursuant to California Penal Code §933(c) required a response from Tulare County LAFCo by April 6th, 2015. Tulare County LAFCo reviewed the Grand Jury report at its March 4th, 2015 meeting. Tulare County LAFCo's response is as follows:

Tulare County LAFCo will consider the recommended role for LAFCo upon request by Richgrove CSD and Tulare County BOS.

If there are any questions regarding this response, please contact me at 623-0450 or bgiuliani@tularecog.org.

Sincerely,



Executive Officer
Tulare County Local Agency Formation Commission

Cc: Richgrove CSD

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3-16-2015



TULARE COUNTY LOCAL AGENCY FORMATION COMMISSION

210 N. Church St., Suite B, Visalia, CA 93291 Phone: (559) 623-0450 FAX: (559) 733-6720

May 6, 2015

TO: The Honorable Judge Gary Paden
Tulare County Grand Jury
Tulare County Board of Supervisors

FROM: Tulare County Local Agency Formation Commission (LAFCo)

SUBJECT: Tulare County Grand Jury Report: "Confusion and Chaos in Richgrove"

COMMISSIONERS:
Juliet Allen, Chair
Rudy Mendoza, V-Chair
Allen Ishida
Cameron Hamilton
Steve Worthley

ALTERNATES:
Mike Ennis
Dennis Mederos
Craig Vejvoda

EXECUTIVE OFFICER:
Ben Giuliani

On February 4th, 2015 the Tulare County Grand Jury provided a report to Tulare County LAFCo titled "Confusion and Chaos in Richgrove". The report included a recommendation (#5) regarding LAFCo:

Pursuant to Cal. Gov. Code §61053, the Board [Richgrove CSD] may petition for the resumption of its financial control once the county standards and educational recommendations have been met and approved by the Tulare County LAFCo.

The Grand Jury, pursuant to California Penal Code §933(c) required a response from Tulare County LAFCo by April 6th, 2015. Tulare County LAFCo reviewed the Grand Jury report at its March 4th, 2015 meeting. Tulare County LAFCo's following response was sent to the Grand Jury on March 11th, 2015:

Tulare County LAFCo will consider the recommended role for LAFCo upon request by Richgrove CSD and Tulare County BOS.

A letter was received from the Grand Jury on April 13th, 2015 (attached). This letter requested responses from LAFCo to the other findings and recommendations contained in the Richgrove CSD report by May 8th, 2015. The following are LAFCo's responses:

F1. The Board has not submitted a financial audit in seven years. An anticipated five year preliminary audit has not been performed.

Tulare County LAFCo neither agrees nor disagrees with this finding. This finding is not in the purview of LAFCo. The status of the District's audits will be reviewed in the next Municipal Service Review update.

F2. The Board has not shown sufficient knowledge and training to enable compliance with Generally Accepted Accounting Standards and Audits of State and Local Governmental Units publication.

Tulare County LAFCo neither agrees nor disagrees with this finding. This finding is not in the purview of LAFCo.

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F3. Design or operational deficiencies of the Board internal control procedures adversely affect the district's ability to record, process, summarize and report financial data that would support minimum auditing requirements.

Tulare County LAFCo neither agrees nor disagrees with this finding. This finding is not in the purview of LAFCo.

F4. The RCSD Board has shown their dysfunction in parliamentary procedure and their compliance with the Brown Act is questionable. During the course of its investigation, the Grand Jury examined applicable laws and regulations pertaining to Special District requirements.

Tulare County LAFCo neither agrees nor disagrees with this finding. This finding is not in the purview of LAFCo.

R1. The Board will establish regular requirement for Richgrove Community Services District's officers to attend and practice the Tulare County Council Special District Government Basic Training concepts.

Tulare County LAFCo neither agrees nor disagrees with this finding. This finding is not in the purview of LAFCo. However, the County does provide training that could be useful to any special district board member in Tulare County.

R2. The Board will have knowledge and training to enable compliance with both Generally Accepted Accounting Standards and Generally Accepted Government Auditing Standards.

Tulare County LAFCo neither agrees nor disagrees with this finding. This finding is not in the purview of LAFCo.

R3. Pursuant to Cal. Gov. Code §61050(b) and §61052(a), the Tulare County Treasurer shall become the treasurer of the RCSD, be the depository, and have custody of all district money.

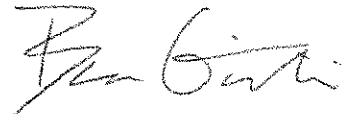
Tulare County LAFCo neither agrees nor disagrees with this finding. This finding is not in the purview of LAFCo.

R4. The Board will require a legal advisor and financial consultant in attendance at Board meetings.

Tulare County LAFCo neither agrees nor disagrees with this finding. This finding is not in the purview of LAFCo.

If there are any questions regarding this response, please contact me at 623-0450 or bgiuliani@tularecog.org.

Sincerely,



Executive Officer
Tulare County Local Agency Formation Commission

Cc: Richgrove CSD