

## EL DORADO IRRIGATION DISTRICT

**SUBJECT:** Consider and approve the District’s response to the findings and recommendations in the 2024–2025 El Dorado County Civil Grand Jury Report, Case No. 25-09, dated April 30, 2025, and direct staff to submit the response.

### PREVIOUS BOARD ACTION

None

### BOARD POLICIES (BP), ADMINISTRATIVE REGULATIONS (AR) AND BOARD AUTHORITY

California Penal Code section 933

### SUMMARY OF ISSUE

The District provides the following responses to the seven findings and five recommendations outlined in the El Dorado County Civil Grand Jury Report (Grand Jury Report) regarding the financial practices of the El Dorado Irrigation District (EID or District).

### BACKGROUND/DISCUSSION

#### *Grand Jury Report Findings (Page 32) and District Responses*

#### **Report Finding 1**

*“Significant turnover in the EID finance department from 2022-2023 contributed to staff’s inability to maintain financial policies and transparency.”*

#### **District Response**

The District agrees with this finding.

The District experienced and continues to experience turnover in key finance positions, which has contributed to some delays in the preparation and presentation of certain financial reports, including investment and budget updates. While several positions have been filled, the District continues to train staff to ensure timely and accurate financial analysis and reporting. The Chief Financial Officer (CFO or Finance Director) position is currently vacant; however, the District is actively working to fill it.

#### **Report Finding 2**

*“EID lacked or ignored accounting policies regarding commingling funds and transfers between water and wastewater enterprises. Even very large transactions of this type were not discussed or approved at the Board level.”*

#### **District Response**

The District disagrees with this finding.

The District’s policies and accounting practices explicitly recognize the need to account for the water and wastewater activities as independent enterprise (business-activity) funds. Throughout the year, accounting entries are made to align expenditures and cost allocations with the

appropriate fund. As noted in the Grand Jury’s report, large year-end journal entries were also required to ensure that each fund appropriately reflected activity in each fund. As such, the District follows its accounting policies and General Accepted Accounting Principles (GAAP) when recording entries for both funds. Therefore, the District’s accounting procedures did not result in the “commingling” of funds between the water and wastewater enterprises. The Grand Jury Report referenced a cash overdraft, which was previously disclosed in the 2023 Annual Comprehensive Financial Report (ACFR). The 2023 ACFR was reviewed and approved by the Board of Directors. The report also referenced the reclassification of funds from restricted cash and cash equivalents to unrestricted funds, which was conducted in a manner consistent with accounting policies.

This reclassification was also disclosed in the District’s recent bond issuance and included in the Preliminary Official Statement presented at the September 23, 2024 Board meeting. The statement read: *“In Fiscal Year 2022, the District expended certain amounts from the unrestricted cash and cash equivalents for, among other costs, repair of facilities damaged by the Caldor wildfire. However, certain amounts, including insurance proceeds, allocated to such costs were accounted for as restricted cash and cash equivalents. In the statement of cash flows in the District’s audited financial statements for Fiscal Year 2023, the District showed a negative cash and cash equivalent balance for Fiscal Year 2022 of negative \$3,414,731. The negative cash balance is a result of reclassifying \$18,680,032 of restricted cash and cash equivalents spent on the aforementioned costs to unrestricted cash and cash equivalents. The reclassification had no impact to the ending net position of the District for Fiscal Year 2022 and had no impact on the debt service coverage calculations for Fiscal Years 2022 and 2023 as set forth in this Official Statement.”*

As part of its commitment to financial transparency, District staff provides quarterly financial updates to the Board of Directors. During the ongoing 2024 audit process, staff identified a misallocation in the 2023 ACFR related to the District’s net pension liability. Specifically, the \$9.2 million in net positive cash flow reported for wastewater employees resulted from an incorrect allocation of the District’s total net pension liability of \$9,167,188. While the total pension liability amount was accurate, it should have been allocated 60% to water and 40% to wastewater. This information has been shared with the District’s independent auditor, who will review and address the correction as part of the 2024 audit. The District will follow the auditor’s recommendations and guidance once provided.

### **Report Finding 3**

*“Statutory requirements for reporting Facility Capacity Charges (FCC) are being met primarily through the Annual Comprehensive Financial Report (ACFR). The lack of a dedicated compliance report reduces transparency and traceability, making it challenging for the EID Board and public to provide effective oversight.”*

### **District Response**

The District agrees with this finding.

The District will prepare a separate Facility Capacity Charge (FCC) report, which will be reviewed and approved by the Board of Directors.

### **Report Finding 4**

*“The issuance of a Pension Obligation Bond in 2022 carried financial risk that was not adequately communicated. The Board provided only minimal oversight of the decision, deferring completely to the General Manager and financial advisors, rather than providing sound governance.”*

## **District Response**

The District disagrees with this finding.

Staff presented the Pension Obligation Bond (POB) financing option to the Board of Directors on four separate occasions, beginning with an information item on February 28, 2022, followed by action items at the March 14, April 11, and April 25, 2022. These meeting materials included detailed risk analyses, financial projections, and a case study specifically addressing concerns raised by the Government Finance Officers Association (GFOA), cited by the Grand Jury. All staff reports, attachments, and related materials, including video recordings are publicly available on the District's website. Board members actively participated in these discussions, asking informed questions and offering comments and suggestions, including the appropriate use of anticipated savings, that indicated thoughtful consideration of the financial matters presented. The POB is forecasted to result in long-term savings for District ratepayers over the life of the bond.

## **Report Finding 5**

*“The EID Board collectively has lacked sufficient financial expertise and engagement in recent years to provide adequate oversight in the absence of a financially focused subcommittee or neutral outside expertise.”*

## **District Response**

The District disagrees with this finding.

The Board of Directors is actively engaged in the District's financial decision-making process through public meetings that include detailed financial presentations and analysis. Board members actively participate, consistently engage in discussions, ask questions, and offer comments that reflect an understanding of the financial information presented, including budgets, bond issues, leases and other financial actions.

Additionally, the District retains qualified financial advisors and consultants who provide independent, professional guidance and advice on significant financial matters. This external expertise, combined with the Board's expertise, engagement and oversight, supports sound financial governance.

## **Report Finding 6**

*“Leaving construction cost projections out of Capital Improvement Plan (CIP) reports for several years gives a misleading picture of financial requirements and may serve to delay rate increases but may make future rate increases even higher.”*

## **District Response**

The District disagrees with this finding.

The District's Capital Improvement Plan (CIP) is a five-year planning document that identifies anticipated capital project activities that will occur over that five-year period and the planned expenditures for each year. The five-year planning period is consistent with the minimum planning horizon recommended by the GFOA for multi-year capital planning. Planned construction costs that are anticipated to occur within the five-year planning horizon are included in the CIP. The Board of Directors actively participates in annual CIP workshops and approval processes where major projects and associated cost estimates are reviewed and discussed. The

District's current rates are based upon the detailed and thorough 2023 Cost of Service (COS) Rate Study, which includes the cost of financing capital projects. Planned rate increases reflect expenditures in the then current year, including capital expenditures and annual debt service associated with debt issued to finance capital projects.

### **Report Finding 7**

*“Boards in the past decided to implement smaller rate increases than what was recommended by staff, but recent history has shown that larger rate increases, including double digit increases, are being considered and have been accepted. The double-digit rate increases are partially due to deferring maintenance projects to keep rates low in the short term.”*

### **District Response**

The District agrees with this finding.

The Board of Directors continues to balance the need to fund infrastructure and maintain service reliability while also considering rate affordability for customers. Recent rate adjustments reflect the District's continued focus on long-term financial and operational sustainability. These adjustments help ensure the District can continue to provide safe water, wastewater treatment, recycled water, hydropower, and recreation services in an environmentally and fiscally responsible manner while addressing the impacts of deferred maintenance and increasing regulatory and operational costs.

## ***Grand Jury Report Recommendations (Page 33) and District Responses***

### **Report Recommendation 1**

*“Direct the Auditor of the 2024 ACFR to verify by September 30, 2025, and publicly report that all significant deficiencies noted in the 2023 Auditor's Memorandum of Internal Control have been rectified and not repeated through actions documented and taken in Management's Response to the Auditor's Recommendations.”*

### **District Response**

This recommendation requires further analysis.

As part of the annual financial audit, the 2024 ACFR is expected to be presented to the Board of Directors at the July 28, 2025 Board meeting. The auditor will also provide a report on their findings and provide an opinion on the financial statements. While the auditor noted certain deficiencies in internal controls as part of the 2023 audit, they provided an “unqualified” opinion that the financial statements “...present fairly, in all material respects, the financial positions of the business-type activities and each major fund of the District, as of and for the years ended December 31, 2023 and 2022....) If any remaining significant deficiencies in internal controls are identified as part of the audit of the 2024 ACFR, District management will present proposed corrective actions during a subsequent Board of Directors meeting.

### **Report Recommendation 2**

*“Direct staff to create and make publicly available a separate report on the District's Facility Capacity Charge (FCC) account within 180 days of each fiscal year end, which includes all the information in California Government Code Section 66013(d), and as generally shown in the example reports provided from other water districts herein.”*

### **District Response**

This recommendation has not yet been implemented but will be implemented in the future.

Beginning with the 2024 report, the District has prepared a separate FCC report, which will be reviewed and approved by the Board of Directors at its June 23, 2025 meeting.

### **Report Recommendation 3**

*“Direct staff to create policies by September 30, 2025, that establish a finance committee with the responsibility to act as a crucial resource to the Board, providing analyses and recommendations critical to the organization's financial decision-making process.”*

### **District Response**

This recommendation will not be implemented because it is not warranted.

The Board of Directors has displayed consistent engagement and competency while providing financial oversight, and participates actively in discussions related to the District’s finances. Rather than delegating its responsibility for financial oversight to a committee, it is more effective and efficient for the board to provide such oversight as the governing body. In addition, the District engages qualified external financial experts such as independent municipal advisors, rate consultants, and auditors as needed to provide advice and recommendations, support complex financial analyses and help ensure sound financial planning and decision-making.

### **Report Recommendation 4**

*“Direct staff to implement a revised Capital Improvement Plan (CIP) project tracking page that offers a more realistic total cost estimate, including construction cost estimates, for each project throughout its duration in the CIP by August 31, 2025.”*

### **District Response**

This recommendation will not be implemented because it is not warranted.

Total project costs for major capital projects are disclosed to the Board of Directors and the public during annual CIP workshops and again at the time the CIP is adopted. Additionally, any capital project cost exceeding \$100,000 is brought to the Board for funding approval, with associated costs detailed in the staff report.

The CIP is aligned with the District’s five-year financial plan and is updated annually to ensure adequate cash flow for project funding and District operations. It also incorporates the assumptions and projections from the five-year COS Rate Study to maintain consistency across all major planning documents.

To further plan for long-term costs, in 2024, staff completed a Water Treatment Asset Management Plan and is proceeding with additional plans for wastewater treatment plants and water storage facilities in 2025. These planning forecasts carry uncertainty when evaluating beyond the industry practice of a five-year timeline since it is difficult to capture total cost estimates considering variables such as inflation, interest rates, and labor escalation. Cost estimates are known to significantly change beyond the five-year timeline based on detailed design, and economic, regulatory and emergency variables that are factored in when a project occurs within the five-year timeline. The plans are re-assessed periodically to ensure estimates

are updated for use when the COS rate study is engaged. These efforts improve the District's ability to forecast costs and support long-term planning for aging infrastructure over a 10- to 20-year horizon.

### **Report Recommendation 5**

*“Direct staff to extend its Capital Improvement Plan (CIP) from a 5-year to a 10-year planning horizon by September 30, 2025, which will provide more flexibility in managing budgets and allow for more stable rate adjustments over time.”*

### **District Response**

This recommendation will not be implemented because it is not warranted.

The District's five-year CIP is consistent with industry practice and aligns with the five-year financial plan and COS Rate Study. Rates and charges are based on the expenditures over the five-year planning period, consistent with Proposition 218.

### **BOARD OPTIONS**

**Option 1:** Consider and approve the District's response to the findings and recommendations in the 2024–2025 El Dorado County Civil Grand Jury Report, Case No. 25-09, dated April 30, 2025, and direct staff to submit the response.

**Option 2:** Take other action as directed by the Board.

**Option 3:** Take no action.

### **RECOMMENDATION**

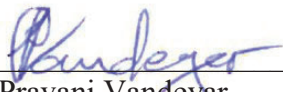
Option 1.

### **ATTACHMENTS**

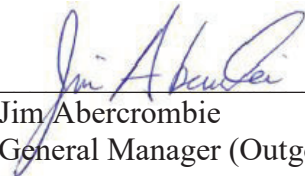
Attachment A: El Dorado Irrigation District Response to 2024–2025 El Dorado County Grand Jury Report (Case 25-09)



Brian Poulsen  
General Counsel



Pravani Vandeyar  
General Manager (Incoming)



Jim Abercrombie  
General Manager (Outgoing)

Paul Penn, Director, Division 1  
Pat Dwyer, Director, Division 2  
Chuck Mansfield, Director, Division 3



**Attachment A**  
Lori Anzini, Director, Division 4  
Alan Day, Director, Division 5  
Jim Abercrombie, General Manager  
Brian Poulsen, General Counsel

In reply refer to M0625-007

June 23, 2025

Honorable Vicki Ashworth  
Presiding Judge of the El Dorado County Civil Grand Jury  
Superior Court of El Dorado County  
495 Main Street  
Placerville, CA 95667

**Subject:** El Dorado Irrigation District Response to 2024–2025 El Dorado County Grand Jury Report (Case 25-09)

Honorable Vicki Ashworth,

Pursuant to California Penal Code section 933, enclosed is the El Dorado Irrigation District Board of Directors' response to the findings and recommendations outlined by the El Dorado County Grand Jury in its 2024–2025 Grand Jury Report, Case 25-09, issued on April 30, 2025.

The response was prepared by the District staff and presented to the Board of Directors for consideration and approval. The enclosed response was approved during a public meeting held on June 23, 2025. Per the instructions provided, it is being submitted both electronically and by U.S. Mail.

The District extends its appreciation to the members of the Grand Jury for their time and commitment to the community.

Sincerely,

Pat Dwyer  
Board President

Enclosure

cc: El Dorado County Civil Grand Jury  
[contact@edcgrandjury.com](mailto:contact@edcgrandjury.com)

**El Dorado Irrigation District  
Response to the 2024–2025 El Dorado County Grand Jury Report  
Case 25-09: El Dorado Irrigation District: Bridge Over Troubled Water**

**Approved by the Board of Directors on June 23, 2025**

**El Dorado Irrigation District**  
**Response to the 2024–2025 El Dorado County Grand Jury Report**  
**Case 25-09: El Dorado Irrigation District: Bridge Over Troubled Water**

***Grand Jury Report Findings (Page 32) and District Responses***

**Report Finding 1**

*“Significant turnover in the EID finance department from 2022-2023 contributed to staff’s inability to maintain financial policies and transparency.”*

**District Response**

The District agrees with this finding.

The District experienced and continues to experience turnover in key finance positions, which has contributed to some delays in the preparation and presentation of certain financial reports, including investment and budget updates. While several positions have been filled, the District continues to train staff to ensure timely and accurate financial analysis and reporting. The Chief Financial Officer (CFO or Finance Director) position is currently vacant; however, the District is actively working to fill it.

**Report Finding 2**

*“EID lacked or ignored accounting policies regarding commingling funds and transfers between water and wastewater enterprises. Even very large transactions of this type were not discussed or approved at the Board level.”*

**District Response**

The District disagrees with this finding.

The District’s policies and accounting practices explicitly recognize the need to account for the water and wastewater activities as independent enterprise (business-activity) funds. Throughout the year, accounting entries are made to align expenditures and cost allocations with the appropriate fund. As noted in the Grand Jury’s report, large year-end journal entries were also required to ensure that each fund appropriately reflected activity in each fund. As such, the District follows its accounting policies and General Accepted Accounting Principles (GAAP) when recording entries for both funds. Therefore, the District’s accounting procedures did not result in the “commingling” of funds between the water and wastewater enterprises. The Grand Jury Report referenced a cash overdraft, which was previously disclosed in the 2023 Annual Comprehensive Financial Report (ACFR). The 2023 ACFR was reviewed and approved by the Board of Directors. The report also referenced the reclassification of funds from restricted cash and cash equivalents to unrestricted funds, which was conducted in a manner consistent with accounting policies.

This reclassification was also disclosed in the District’s recent bond issuance and included in the Preliminary Official Statement presented at the September 23, 2024 Board meeting. The statement read: *“In Fiscal Year 2022, the District expended certain amounts from the unrestricted cash and cash equivalents for, among other costs, repair of facilities damaged by the Caldor wildfire. However, certain amounts, including insurance proceeds, allocated to such costs were accounted for as restricted cash and cash equivalents. In the statement of cash flows in the District’s audited financial statements for Fiscal Year 2023, the District showed a negative cash and cash equivalent balance for Fiscal Year 2022 of negative \$3,414,731. The negative cash balance is a result of reclassifying \$18,680,032 of restricted cash and cash equivalents spent on the aforementioned costs to unrestricted cash and cash equivalents. The reclassification had no impact to the ending net position of the District for Fiscal Year 2022 and had no impact on the debt service coverage calculations for Fiscal Years 2022 and 2023 as set forth in this Official Statement.”*

As part of its commitment to financial transparency, District staff provides quarterly financial updates to the Board of Directors. During the ongoing 2024 audit process, staff identified a misallocation in the 2023 ACFR related to the District’s net pension liability. Specifically, the \$9.2 million in net positive cash flow reported for wastewater employees resulted from an incorrect allocation of the District’s total net pension liability of \$9,167,188. While the total pension liability amount was accurate, it should have been allocated 60% to water and 40% to wastewater. This information has been shared with the District’s independent auditor, who will review and address the correction as part of the 2024 audit. The District will follow the auditor’s recommendations and guidance once provided.

### **Report Finding 3**

*“Statutory requirements for reporting Facility Capacity Charges (FCC) are being met primarily through the Annual Comprehensive Financial Report (ACFR). The lack of a dedicated compliance report reduces transparency and traceability, making it challenging for the EID Board and public to provide effective oversight.”*

### **District Response**

The District agrees with this finding.

The District will prepare a separate Facility Capacity Charge (FCC) report, which will be reviewed and approved by the Board of Directors.

**Report Finding 4**

*“The issuance of a Pension Obligation Bond in 2022 carried financial risk that was not adequately communicated. The Board provided only minimal oversight of the decision, deferring completely to the General Manager and financial advisors, rather than providing sound governance.”*

**District Response**

The District disagrees with this finding.

Staff presented the Pension Obligation Bond (POB) financing option to the Board of Directors on four separate occasions, beginning with an information item on February 28, 2022, followed by action items at the March 14, April 11, and April 25, 2022. These meeting materials included detailed risk analyses, financial projections, and a case study specifically addressing concerns raised by the Government Finance Officers Association (GFOA), cited by the Grand Jury. All staff reports, attachments, and related materials, including video recordings are publicly available on the District’s website. Board members actively participated in these discussions, asking informed questions and offering comments and suggestions, including the appropriate use of anticipated savings, that indicated thoughtful consideration of the financial matters presented. The POB is forecasted to result in long-term savings for District ratepayers over the life of the bond.

**Report Finding 5**

*“The EID Board collectively has lacked sufficient financial expertise and engagement in recent years to provide adequate oversight in the absence of a financially focused subcommittee or neutral outside expertise.”*

**District Response**

The District disagrees with this finding.

The Board of Directors is actively engaged in the District’s financial decision-making process through public meetings that include detailed financial presentations and analysis. Board members actively participate, consistently engage in discussions, ask questions, and offer comments that reflect an understanding of the financial information presented, including budgets, bond issues, leases and other financial actions.

Additionally, the District retains qualified financial advisors and consultants who provide independent, professional guidance and advice on significant financial matters. This external expertise, combined with the Board’s expertise, engagement and oversight, supports sound financial governance.

**Report Finding 6**

*“Leaving construction cost projections out of Capital Improvement Plan (CIP) reports for several years gives a misleading picture of financial requirements and may serve to delay rate increases but may make future rate increases even higher.”*

**District Response**

The District disagrees with this finding.

The District’s Capital Improvement Plan (CIP) is a five-year planning document that identifies anticipated capital project activities that will occur over that five-year period and the planned expenditures for each year. The five-year planning period is consistent with the minimum planning horizon recommended by the GFOA for multi-year capital planning. Planned construction costs that are anticipated to occur within the five-year planning horizon are included in the CIP. The Board of Directors actively participates in annual CIP workshops and approval processes where major projects and associated cost estimates are reviewed and discussed. The District’s current rates are based upon the detailed and thorough 2023 Cost of Service (COS) Rate Study, which includes the cost of financing capital projects. Planned rate increases reflect expenditures in the then current year, including capital expenditures and annual debt service associated with debt issued to finance capital projects.

**Report Finding 7**

*“Boards in the past decided to implement smaller rate increases than what was recommended by staff, but recent history has shown that larger rate increases, including double digit increases, are being considered and have been accepted. The double-digit rate increases are partially due to deferring maintenance projects to keep rates low in the short term.”*

**District Response**

The District agrees with this finding.

The Board of Directors continues to balance the need to fund infrastructure and maintain service reliability while also considering rate affordability for customers. Recent rate adjustments reflect the District’s continued focus on long-term financial and operational sustainability. These adjustments help ensure the District can continue to provide safe water, wastewater treatment, recycled water, hydropower, and recreation services in an environmentally and fiscally responsible manner while addressing the impacts of deferred maintenance and increasing regulatory and operational costs.

## ***Grand Jury Report Recommendations (Page 33) and District Responses***

### **Report Recommendation 1**

*“Direct the Auditor of the 2024 ACFR to verify by September 30, 2025, and publicly report that all significant deficiencies noted in the 2023 Auditor’s Memorandum of Internal Control have been rectified and not repeated through actions documented and taken in Management’s Response to the Auditor’s Recommendations.”*

### **District Response**

This recommendation requires further analysis. As part of the annual financial audit, the 2024 ACFR is expected to be presented to the Board of Directors at the July 28, 2025 Board meeting. The auditor will also provide a report on their findings and provide an opinion on the financial statements. While the auditor noted certain deficiencies in internal controls as part of the 2023 audit, they provided an “unqualified” opinion that the financial statements “...present fairly, in all material respects, the financial positions of the business-type activities and each major fund of the District, as of and for the years ended December 31, 2023 and 2022....) If any remaining significant deficiencies in internal controls are identified as part of the audit of the 2024 ACFR, District management will present proposed corrective actions during a subsequent Board of Directors meeting.

### **Report Recommendation 2**

*“Direct staff to create and make publicly available a separate report on the District's Facility Capacity Charge (FCC) account within 180 days of each fiscal year end, which includes all the information in California Government Code Section 66013(d), and as generally shown in the example reports provided from other water districts herein.”*

### **District Response**

This recommendation has not yet been implemented but will be implemented in the future.

Beginning with the 2024 report, the District has prepared a separate FCC report, which will be reviewed and approved by the Board of Directors at its June 23, 2025 meeting.

### **Report Recommendation 3**

*“Direct staff to create policies by September 30, 2025, that establish a finance committee with the responsibility to act as a crucial resource to the Board, providing analyses and recommendations critical to the organization's financial decision-making process.”*

### **District Response**

This recommendation will not be implemented because it is not warranted.

The Board of Directors has displayed consistent engagement and competency while providing financial oversight, and participates actively in discussions related to the District's finances. Rather than delegating its responsibility for financial oversight to a committee, it is more effective and efficient for the board to provide such oversight as the governing body. In addition, the District engages qualified external financial experts such as independent municipal advisors, rate consultants, and auditors as needed to provide advice and recommendations, support complex financial analyses and help ensure sound financial planning and decision-making.

### **Report Recommendation 4**

*“Direct staff to implement a revised Capital Improvement Plan (CIP) project tracking page that offers a more realistic total cost estimate, including construction cost estimates, for each project throughout its duration in the CIP by August 31, 2025.”*

### **District Response**

This recommendation will not be implemented because it is not warranted.

Total project costs for major capital projects are disclosed to the Board of Directors and the public during annual CIP workshops and again at the time the CIP is adopted. Additionally, any capital project cost exceeding \$100,000 is brought to the Board for funding approval, with associated costs detailed in the staff report.

The CIP is aligned with the District's five-year financial plan and is updated annually to ensure adequate cash flow for project funding and District operations. It also incorporates the assumptions and projections from the five-year COS Rate Study to maintain consistency across all major planning documents.

To further plan for long-term costs, in 2024, staff completed a Water Treatment Asset Management Plan and is proceeding with additional plans for wastewater treatment plants and water storage facilities in 2025. These planning forecasts carry uncertainty when evaluating beyond the industry practice of a five-year timeline since it is difficult to capture total cost estimates considering variables such as inflation, interest rates, and labor escalation. Cost estimates are known to significantly change beyond the five-year timeline based on detailed design, and economic, regulatory and emergency variables that are factored in when a project occurs within the five-year timeline. The plans are re-assessed periodically to ensure estimates are updated for use when the COS rate study is engaged. These efforts improve the District's ability to forecast costs and support long-term planning for aging infrastructure over a 10- to 20-year horizon.

**Report Recommendation 5**

*“Direct staff to extend its Capital Improvement Plan (CIP) from a 5-year to a 10-year planning horizon by September 30, 2025, which will provide more flexibility in managing budgets and allow for more stable rate adjustments over time.”*

**District Response**

This recommendation will not be implemented because it is not warranted.

The District’s five-year CIP is consistent with industry practice and aligns with the five-year financial plan and COS Rate Study. Rates and charges are based on the expenditures over the five-year planning period, consistent with Proposition 218.

---

# DISTRICT RESPONSE TO 2024–2025 EL DORADO COUNTY CIVIL GRAND JURY REPORT

CASE NO. 25-09: EL DORADO IRRIGATION DISTRICT



June 23, 2025

---

---

## SUMMARY

- El Dorado County Grand Jury issued a Report on April 30, 2025
  - Report included 7 findings and 5 recommendations
  - District is required to respond under California Penal Code section 933
- Consider and approve the District's response to the findings and recommendations in the Report
- Direct staff to submit the approved response

---

## **Report Finding 1**

*“Significant turnover in the EID finance department from 2022-2023 contributed to staff’s inability to maintain financial policies and transparency.”*

## **District Response**

The District agrees with this finding.

The District experienced and continues to experience turnover in key finance positions, which has contributed to some delays in the preparation and presentation of certain financial reports, including investment and budget updates. While several positions have been filled, the District continues to train staff to ensure timely and accurate financial analysis and reporting. The Chief Financial Officer (CFO or Finance Director) position is currently vacant; however, the District is actively working to fill it.

---

## **Report Finding 2**

*“EID lacked or ignored accounting policies regarding commingling funds and transfers between water and wastewater enterprises. Even very large transactions of this type were not discussed or approved at the Board level.”*

---

**District Response (Report Finding 2)**

The District disagrees with this finding.

The District's policies and accounting practices explicitly recognize the need to account for the water and wastewater activities as independent enterprise (business-activity) funds. Throughout the year, accounting entries are made to align expenditures and cost allocations with the appropriate fund. As noted in the Grand Jury's report, large year-end journal entries were also required to ensure that each fund appropriately reflected activity in each fund. As such, the District follows its accounting policies and General Accepted Accounting Principles (GAAP) when recording entries for both funds.

*(continued)*

---

**District Response (Report Finding 2) *continued***

Therefore, the District’s accounting procedures did not result in the “commingling” of funds between the water and wastewater enterprises. The Grand Jury Report referenced a cash overdraft, which was previously disclosed in the 2023 Annual Comprehensive Financial Report (ACFR). The 2023 ACFR was reviewed and approved by the Board of Directors. The report also referenced the reclassification of funds from restricted cash and cash equivalents to unrestricted funds, which was conducted in a manner consistent with accounting policies.

*(continued)*

---

**District Response (Report Finding 2) *continued***

This reclassification was also disclosed in the District’s recent bond issuance and included in the Preliminary Official Statement presented at the September 23, 2024 Board meeting. The statement read: *“In Fiscal Year 2022, the District expended certain amounts from the unrestricted cash and cash equivalents for, among other costs, repair of facilities damaged by the Caldor wildfire. However, certain amounts, including insurance proceeds, allocated to such costs were accounted for as restricted cash and cash equivalents. In the statement of cash flows in the District’s audited financial statements for Fiscal Year 2023, the District showed a negative cash and cash equivalent balance for Fiscal Year 2022 of negative \$3,414,731.*

*(continued)*

---

**District Response (Report Finding 2) *continued***

*The negative cash balance is a result of reclassifying \$18,680,032 of restricted cash and cash equivalents spent on the aforementioned costs to unrestricted cash and cash equivalents. The reclassification had no impact to the ending net position of the District for Fiscal Year 2022 and had no impact on the debt service coverage calculations for Fiscal Years 2022 and 2023 as set forth in this Official Statement.”*

*(continued)*

---

**District Response (Report Finding 2) *continued***

As part of its commitment to financial transparency, District staff provides quarterly financial updates to the Board of Directors. During the ongoing 2024 audit process, staff identified a misallocation in the 2023 ACFR related to the District's net pension liability. Specifically, the \$9.2 million in net positive cash flow reported for wastewater employees resulted from an incorrect allocation of the District's total net pension liability of \$9,167,188. While the total pension liability amount was accurate, it should have been allocated 60% to water and 40% to wastewater. This information has been shared with the District's independent auditor, who will review and address the correction as part of the 2024 audit. The District will follow the auditor's recommendations and guidance once provided.

*(continued)*

---

---

### **Report Finding 3**

*“Statutory requirements for reporting Facility Capacity Charges (FCC) are being met primarily through the Annual Comprehensive Financial Report (ACFR). The lack of a dedicated compliance report reduces transparency and traceability, making it challenging for the EID Board and public to provide effective oversight.”*

### **District Response**

The District agrees with this finding.

The District will prepare a separate Facility Capacity Charge (FCC) report, which will be reviewed and approved by the Board of Directors.

---

**Report Finding 4**

*“The issuance of a Pension Obligation Bond in 2022 carried financial risk that was not adequately communicated. The Board provided only minimal oversight of the decision, deferring completely to the General Manager and financial advisors, rather than providing sound governance.”*

---

**District Response (Report Finding 4)**

The District disagrees with this finding.

Staff presented the Pension Obligation Bond (POB) financing option to the Board of Directors on four separate occasions, beginning with an information item on February 28, 2022, followed by action items at the March 14, April 11, and April 25, 2022. These meeting materials included detailed risk analyses, financial projections, and a case study specifically addressing concerns raised by the Government Finance Officers Association (GFOA), cited by the Grand Jury. All staff reports, attachments, and related materials, including video recordings are publicly available on the District's website.

*(continued)*

---

**District Response (Report Finding 4) *continued***

Board members actively participated in these discussions, asking informed questions and offering comments and suggestions, including the appropriate use of anticipated savings, that indicated thoughtful consideration of the financial matters presented. The POB is forecasted to result in long-term savings for District ratepayers over the life of the bond.

---

## **Report Finding 5**

*“The EID Board collectively has lacked sufficient financial expertise and engagement in recent years to provide adequate oversight in the absence of a financially focused subcommittee or neutral outside expertise.”*

---

### **District Response (Report Finding 5)**

The District disagrees with this finding.

The Board of Directors is actively engaged in the District's financial decision-making process through public meetings that include detailed financial presentations and analysis. Board members actively participate, consistently engage in discussions, ask questions, and offer comments that reflect an understanding of the financial information presented, including budgets, bond issues, leases and other financial actions.

Additionally, the District retains qualified financial advisors and consultants who provide independent, professional guidance and advice on significant financial matters. This external expertise, combined with the Board's expertise, engagement and oversight, supports sound financial governance.

---

---

## **Report Finding 6**

*“Leaving construction cost projections out of Capital Improvement Plan (CIP) reports for several years gives a misleading picture of financial requirements and may serve to delay rate increases but may make future rate increases even higher.”*

---

**District Response (Report Finding 6)**

The District disagrees with this finding.

The District's Capital Improvement Plan (CIP) is a five-year planning document that identifies anticipated capital project activities that will occur over that five-year period and the planned expenditures for each year. The five-year planning period is consistent with the minimum planning horizon recommended by the GFOA for multi-year capital planning. Planned construction costs that are anticipated to occur within the five-year planning horizon are included in the CIP. The Board of Directors actively participates in annual CIP workshops and approval processes where major projects and associated cost estimates are reviewed and discussed. The District's current rates are based upon the detailed and thorough 2023 Cost of Service (COS) Rate Study, which includes the cost

*(continued)*

---

---

**District Response (Report Finding 6) *continued***

of financing capital projects. Planned rate increases reflect expenditures in the then current year, including capital expenditures and annual debt service associated with debt issued to finance capital projects.

---

## **Report Finding 7**

*“Boards in the past decided to implement smaller rate increases than what was recommended by staff, but recent history has shown that larger rate increases, including doubledigit increases, are being considered and have been accepted. The double-digit rate increases are partially due to deferring maintenance projects to keep rates low in the short term.”*

---

### **District Response (Report Finding 7)**

The District agrees with this finding.

The Board of Directors continues to balance the need to fund infrastructure and maintain service reliability while also considering rate affordability for customers. Recent rate adjustments reflect the District's continued focus on long-term financial and operational sustainability. These adjustments help ensure the District can continue to provide safe water, wastewater treatment, recycled water, hydropower, and recreation services in an environmentally and fiscally responsible manner while addressing the impacts of deferred maintenance and increasing regulatory and operational costs.

---

## **Report Recommendation 1**

*“Direct the Auditor of the 2024 ACFR to verify by September 30, 2025, and publicly report that all significant deficiencies noted in the 2023 Auditor’s Memorandum of Internal Control have been rectified and not repeated through actions documented and taken in Management’s Response to the Auditor’s Recommendations.”*

---

## **District Response (Report Recommendation 1)**

This recommendation requires further analysis.

As part of the annual financial audit, the 2024 ACFR is expected to be presented to the Board of Directors at the July 28, 2025 Board meeting. The auditor will also provide a report on their findings and provide an opinion on the financial statements. While the auditor noted certain deficiencies in internal controls as part of the 2023 audit, they provided an “unqualified” opinion that the financial statements “...present fairly, in all material respects, the financial positions of the business-type activities and each major fund of the District, as of and for the years ended December 31, 2023 and 2022....) If any remaining significant deficiencies in internal controls are identified as part of the audit of the 2024 ACFR, District management will present proposed corrective actions during a subsequent Board of Directors meeting.

---

---

## **Report Recommendation 2**

*“Direct staff to create and make publicly available a separate report on the District's Facility Capacity Charge (FCC) account within 180 days of each fiscal year end, which includes all the information in California Government Code Section 66013(d), and as generally shown in the example reports provided from other water districts herein.”*

## **District Response**

This recommendation has not yet been implemented but will be implemented in the future.

Beginning with the 2024 report, the District has prepared a separate FCC report, which will be reviewed and approved by the Board of Directors at its June 23, 2025 meeting.

---

### **Report Recommendation 3**

*“Direct staff to create policies by September 30, 2025, that establish a finance committee with the responsibility to act as a crucial resource to the Board, providing analyses and recommendations critical to the organization's financial decision-making process.”*

---

### **District Response (Report Recommendation 3)**

This recommendation will not be implemented because it is not warranted.

The Board of Directors has displayed consistent engagement and competency while providing financial oversight, and participates actively in discussions related to the District's finances. Rather than delegating its responsibility for financial oversight to a committee, it is more effective and efficient for the board to provide such oversight as the governing body. In addition, the District engages qualified external financial experts such as independent municipal advisors, rate consultants, and auditors as needed to provide advice and recommendations, support complex financial analyses and help ensure sound financial planning and decision-making.

---

## **Report Recommendation 4**

*“Direct staff to implement a revised Capital Improvement Plan (CIP) project tracking page that offers a more realistic total cost estimate, including construction cost estimates, for each project throughout its duration in the CIP by August 31, 2025.”*

---

### **District Response (Report Recommendation 4)**

This recommendation will not be implemented because it is not warranted.

Total project costs for major capital projects are disclosed to the Board of Directors and the public during annual CIP workshops and again at the time the CIP is adopted.

Additionally, any capital project cost exceeding \$100,000 is brought to the Board for funding approval, with associated costs detailed in the staff report.

The CIP is aligned with the District's five-year financial plan and is updated annually to ensure adequate cash flow for project funding and District operations. It also incorporates the assumptions and projections from the five-year COS Rate Study to maintain consistency across all major planning documents.

*(continued)*

---

**District Response (Report Recommendation 4) *continued***

To further plan for long-term costs, in 2024, staff completed a Water Treatment Asset Management Plan and is proceeding with additional plans for wastewater treatment plants and water storage facilities in 2025. These planning forecasts carry uncertainty when evaluating beyond the industry practice of a five-year timeline since it is difficult to capture total cost estimates considering variables such as inflation, interest rates, and labor escalation. Cost estimates are known to significantly change beyond the five-year timeline based on detailed design, and economic, regulatory and emergency variables that are factored in when a project occurs within the five-year timeline. The plans are re-assessed periodically to ensure estimates are updated for use when the COS rate study is engaged. These efforts improve the District's ability to forecast costs and support long-term planning for aging infrastructure over a 10- to 20-year horizon.

---

---

## **Report Recommendation 5**

*“Direct staff to extend its Capital Improvement Plan (CIP) from a 5-year to a 10-year planning horizon by September 30, 2025, which will provide more flexibility in managing budgets and allow for more stable rate adjustments over time.”*

## **District Response**

This recommendation will not be implemented because it is not warranted.

The District’s five-year CIP is consistent with industry practice and aligns with the five-year financial plan and COS Rate Study. Rates and charges are based on the expenditures over the five-year planning period, consistent with Proposition 218.

---

## BOARD OPTIONS

**Option 1:** Consider and approve the District's response to the findings and recommendations in the 2024–2025 El Dorado County Civil Grand Jury Report, Case No. 25-09, dated April 30, 2025, and direct staff to submit the response.

**Option 2:** Take other action as directed by the Board.

**Option 3:** Take no action.

---

# RECOMMENDATION

Option 1

---

QUESTIONS?

