

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
APRIL 18, 2006**

MEMBERS PRESENT: Directors Barkhurst, Krieger, and Pickard.
Director Brain was absent due to illness.
Director Sorell was unavoidably detained.

STAFF PRESENT: Melvin Matthews, Christopher Burt, and Shirley Burt

CALL TO ORDER: The meeting was called to order at 1940 hours by the **Chair, Richard Barkhurst**. He noted that there was a quorum of the Board present. The Chair requested that the item "Resignation of Robert Brain-Director of Division I" be added to the Agenda as Item 4 noting that this information had just been received prior to the meeting and required the Board's immediate attention. The Agenda was unanimously approved as amended.

PUBLIC COMMENT

No members of the public wished to comment at this time.

REVIEW OF AUDITOR'S REPORT

The **General Manager** introduced **Gail Egan**, Auditor, who reviewed the **Draft Auditor's Report** that the Board Members had received in their Board Packet. She stated that the most notable change this year was the receipt of a Grant and that on the cash statement that cash was presented as available income. She explained that under the terms of the grant, as the grant repairs are done, the portion that is spent on the repairs is recognized as income at that time and at the end of December 2006 there was \$73,000. remaining and this was shown as deferred income on the balance sheet indicating that if this amount is not expended under the terms of the grant, the monies would have to be returned to the grantee.

Ms. Egan stated that usually the financials are presented by the Treasurer and then the Auditor takes questions, and that by Audit Standards the Auditor is required to communicate if there were any disagreements with management or adjustments that were argued or passed over. She stated that there were none.

Director Barkhurst asked how many adjustments were made and **Ms. Egan** replied four or five which **Director Barkhurst** noted as being very good.

Ms. Egan further stated that it has been the District's choice to maintain their financial records on a monthly cash basis and so that one of the entries that are recorded through the audit is the annual depreciation which is a non cash charge and that is to be expected so that it is not a question of someone not booking something that they are supposed to book within the financials. She explained that most of the entries were related so as to present the financials on an accrual basis as opposed to the way that Mr. Matthews has been required to keep them which is a modified accrual basis.

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
APRIL 18, 2006**

Director Krieger questioned whether the value of the capital goods is just the value of accumulated costs over time less depreciation or does the Auditor review the value of the capital goods or question them.

Page 2

Ms. Egan replied that accounting principals only require that capital assets be presented at their historical cost less depreciation.

Director Krieger questioned whether there would be a signed opinion letter on her letterhead.

Ms. Egan replied that there would be one in the Final Report which will be issued in bound copies once the Board has given approval to the Draft Audit and the issuance of the final report. She reminded the Board that the Draft Audit should be destroyed after the approval.

Director Barkhurst then questioned whether there were any issues that Ms. Egan wished to bring to the attention of the Board.

Ms. Egan replied that a letter had been submitted for comment to the Treasurer and General Manager and that she did not believe there were any large issues there. She explained that because the staff is small she has made a suggestion on an oversight issue that will increase the segregation of duties and give the Treasurer a little more work to do but that it will build the internal controls.

Director Barkhurst questioned the General Manager as to whether that letter will be shared with the Board this month and the **General Manager** replied in the affirmative.

Director Krieger questioned whether she was making the suggestion of controls to specific line items or all down the line.

Ms. Egan replied that her suggestion had to do with payroll because the Board has a proper policy that the Board sign all disbursements and that that policy also ought to apply to payroll. However she noted that it is not being done with payroll because it is done electronically and because there is not a separate person doing payroll, it ought to be that the payroll disbursement ledger is also reviewed by the Treasurer. She further stated that the Treasurer should also be reviewing the bank register reconciliation which she believes that the Treasurer is currently doing. She stated that her comment is a segregation of duties comment because usually there is a separate person doing the bank reconciliation.

Director Barkhurst commented that the Board has discussed among themselves and with management, that because the staff is so small they recognize that part of their duties as a Board is to become more actively involved particularly in maintaining appropriate segregation of duties, which is why the Board signs checks and looks at bank reconciliation as it should be done in any well run office.

Ms. Egan noted that it is becoming more difficult because of the electronic payment process, and those systems override the two signature check signing process and changes needs to be made to control that.

Director Krieger questioned whether there is a detail schedule where items are depreciated over time, and Ms. Egan referred him to page 15 in the draft report where there are broad categories with their depreciation schedule.

Director Krieger questioned whether there is a whole bunch of detail underneath that has been used to determine the value of particular items and their life spans.

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
APRIL 18, 2006**

Ms. Egan stated that in the past the asset ledger reflected projects rather than individual items and she would prefer a utility description.

Page 3

Director Sorell entered the meeting at this time and **Director Barkhurst** requested whether he had any questions for the Auditor and any items in the management letter that he thought should be discussed.

Director Sorell stated that the MD&A went through some revisions and that he thought that while it was good there could be more discussion.

Director Krieger questioned whether now that the tank agreement is in place will the tanks depreciate or will they stay at about value.

Director Sorell replied that the tanks would be depreciated which is an accounting function and they will be written off over a period of years but what will change is that there won't be the expense variation involved with their maintenance.

Ms. Egan stated that eventually the tanks would have to be replaced.

Director Barkhurst stated that from the accounting standpoint the accounting line for those fixed assets does not change but from the management standpoint the useful life may be extended significantly through the maintenance program.

Director Barkhurst questioned whether the Board had any further questions and upon hearing none requested that a motion be made to approve the outside audit report as presented.

It was M/S/C-(Sorell/Pickard-4/0) –

“That the outside Audit Report for 2005 be approved as presented”

REVIEW OF DIVISION ONE (1) DIRECTOR ROBERT BRAIN'S RESIGNATION

Director Barkhurst stated that sadly Director Brain has submitted his resignation effective immediately because he does not think he can continue as a member of the Board which creates an opening on the Board. He then outlined the following process which will be followed in seeking individuals who would wish to fill the position.

- A notice of vacancy will be sent to every qualified household in Division One and they will be given until May 12th to submit a letter of interest.
- At the Board Meeting on May 16th the Board will review any letters of interest that have been received.
- Those persons who have submitted a letter of interest will be invited to the Board Meeting.

It was then M/S/C—(Barkhurst/Krieger-4/0)

“That the Board accepts with regret the resignation of Director Robert Brain.”

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
APRIL 18, 2006**

It was unanimously agreed that a certificate would be presented to Director Brain expressing the Board's appreciation for his many years of service.

Page 4

REVIEW OF LAFCO 2005/2006 BUDGET

The Board reviewed the budget and noted that the District's portion is \$439.00

SELECTION OF CANDIDATES FOR LAFCO REPRESENTATIVE

Director Barkhurst stated that there are two candidates for representative -- Jerry Gladbach and Janice Heidt. He noted that Mr. Gladbach comes highly recommended by his own Board and by LAFCO personnel. He noted that Ms. Heidt has a lot of experience in conservation and that she was a former City Manager of Santa Clarita.

It was M/S/C – (Pickard/Sorell-4/0) -- **“That the Board vote for Mr. Gladbach”**.

Director Barkhurst stated that Mr. Ryan is the only candidate for the alternate position and has received letters of support from his own agency and from the chairman of LAFCO.

It was M/S/C – (Pickard/Krieger-4/0)—**“That the Board vote for Mr. Ryan”**.

GENERAL MANAGER'S REPORT

The Board reviewed the General Manager's Report which was presented in the Board Packet. The **General Manager** stated that he was very pleased with the performance of Utility Services at the East Tank Site. He noted that the next project is the Sage Tank which, in addition to normal maintenance, will need some minor repairs that were noted some time ago. He explained that the cost of the repairs will be separately invoiced because of the issue as regard to the performance bond under the guarantee, and it is hoped that there will be reimbursement by the bonding company for the developer. He noted that it is a relatively small amount of money. **Director Krieger** questioned whether the bonding company has paid off in the recent past. The **General Manager** stated that he has no knowledge of the history of the bonding company and that the District has had to engage the District's attorney to press the issue. He explained further that it is not a major financial burden for the District. **Director Sorell** requested further explanation of the Kinneloa Canyon mudslide.

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
APRIL 18, 2006**

The **General Manager** explained that a service line, running down the hillside from the Holly Tanks site to the first customer on Kinneloa Canyon Road, broke and there was some washout at the top of the slope which slide down onto the property below. He further stated that it is clearly the District's liability.

Page 5

Director Sorell inquired as to the expense involved and the **General Manager** stated \$10,000. The **General Manager** explained that the cost involves not only cleaning up the mud, but also includes repairing the slope which is all hand work. He stated that the project is being handled on a reimbursement basis as the bid obtained by the homeowner was \$5,000 less than the bid the District obtained and in addition the job will be done to the homeowner's satisfaction and relieves the District of liability if the work is not done properly. He stated that the line has been permanently repaired, but in the future relocation of the line would be desirable so that this does not happen again. He noted that currently there is no east tank to west tank line and therefore no convenient source of water for the customer at the top of Kinneloa Canyon.

Director Barkhurst questioned whether the homeowner compacted the dirt properly since it is fresh dirt.

The **General Manager** replied that the soil will be properly compacted and restored.

Director Pickard inquired as to the construction of the line and the **General Manager** replied that most of it was 1 ¼" galvanized pipe that had previously been repaired with 1 ¼ " PVC pipe years ago as the line is very old.

Director Sorell inquired about the Emails on the Sierra Madre Villa internet regarding the water quality and the **General Manager** stated that some were positive and some were negative. He further explained that there had been an issue regarding water quality also in Pasadena Glen and that Director Pickard could address that issue.

Director Pickard explained that only one customer had this complaint and that the neighbors who received the same water had no complaints. However he stated that staff had responded to the complaint by pulling the registers and flushing the service lines which is the standard procedure for this type of complaint.

Director Krieger inquired whether the chlorination level is to a certain standard throughout all of the storage facilities or is it different when tunnel water is the source.

The **General Manager** stated that all sources are chlorinated according to the Health Department Standards and tested for chlorination levels, but depending upon the distribution lines through which the water flows there may be some minor variations in chlorination levels.

Director Krieger questioned whether less chlorine could be used where the source is tunnel water because it is coming from a higher region not exposed to septic tanks, etc.

The **Facilities Supervisor** explained that the District's permit to operate specifically states that you have to maintain a certain level of chlorination which is 0.5 part per million but that farther out in the distribution system the parts per million gets somewhat smaller. He further explained that when people state they smell chlorine they are really smelling the reaction of the chlorine

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
APRIL 18, 2006**

with the other constituents in the water. He stated that the constituents in the groundwater constantly change depending upon many variables including the time of year..

REVIEW OF THE MINUTES

The minutes of March 21, 2006 were unanimously approved as presented with several typographical corrections.

Page 6

REVIEW OF FINANCIAL REPORT

The Financial Report of March 31, 2006 was reviewed by the **Treasurer** and unanimously approved by the Board for filing as presented.

Director Sorell noted that \$4,700 had been spent for engineering for FEMA projects and the **General Manager** replied that he had not specifically budgeted for that item as it will be reimbursed to the District from the FEMA fund.

Director Barkhurst noted that the Workers' Comp. Insurance was over budget and the **General Manager** replied that he had not budgeted enough although he had budgeted an increase.

Director Sorell noted that the "Sales Tax" was a new budget item and the **General Manager** replied that when he uses the inventory system to keep track of items that have been purchased but not currently used, it is difficult to prorate the tax to the individual items, and it is a bookkeeping convenience to have the sales tax listed separately.

Director Sorell inquired about the \$800 expense for Diesel Fuel and the **General Manager** replied that that fuel is used for our Diesel Pumps that are run every month as well as the Generator.

Director Barkhurst questioned whether Egan & Egan had billed the District and the **General Manager** explained that the District had paid an initial amount of \$2500 and that the final billing will be received after they have submitted the final bound copies of the Audit Report.

Director Krieger inquired whether the current expense report reflected the costs involved with the hillside repair and the **General Manager** replied that they are not included.

ITEMS FOR THE NEXT MEETING

Review the Applications for the position of Director of Division One.

ADJOURNMENT

The meeting was adjourned at 2110 hours and the next meeting will be on May 16, 2006.

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
APRIL 18, 2006**

Respectfully submitted,

Shirley Burt
Secretary to the Board