



---

# Annual Report of Operations

---

2004

Presented to the Board of Directors by  
Melvin L. Matthews, General Manager

February 15, 2005

## Letter from the General Manager

January 18, 2004

On behalf of the staff of the Kinneloa Irrigation District, I am pleased to present the 2004 Annual Report of Operations.

The year presented many challenges to the District including completion of major projects, a new general manager, water supply issues and consideration of present and future budget recommendations and a possible rate increase.

Highlights of the year are as follows:

- The District successfully completed two projects that were started in 2003. The first of these is the K-3 Well Transmission Main Replacement. This project consisted of installing approximately one-half mile of 10 inch ductile iron and steel pipe and approximately 300 feet of 8 inch ductile iron pipe. The second project was the re-coating of the Holly East and West Tanks. Both project presented some challenging issues: With respect to the pipeline project it was the determination of an acceptable attachment method to the bridge; with respect to the Holly Tanks it was major corrosion damage to the floor of one tank and the overflow boxes of both tanks as well as environmental precautions and special procedures due to heavy metals found in the existing paint. In all cases, solutions were found that minimized cost overruns.
- The District successfully met the challenge of major personnel changes including the hiring of a new general manager, the departure of the long-time bookkeeper and finding a replacement board member.
- The District executed an agreement to obtain temporary increased pumping rights to solve an unexpected water supply shortage due to the continuing drought and heavy customer demand.
- The District ended the year in sound financial condition with favorable financial results with respect to the budget.

The staff at the Kinneloa Irrigation District is committed to meeting the future challenges of providing high quality water service to our customers at a reasonable cost.

Sincerely,



Melvin L. Matthews  
General Manager

## Production Summary for 2003-2004

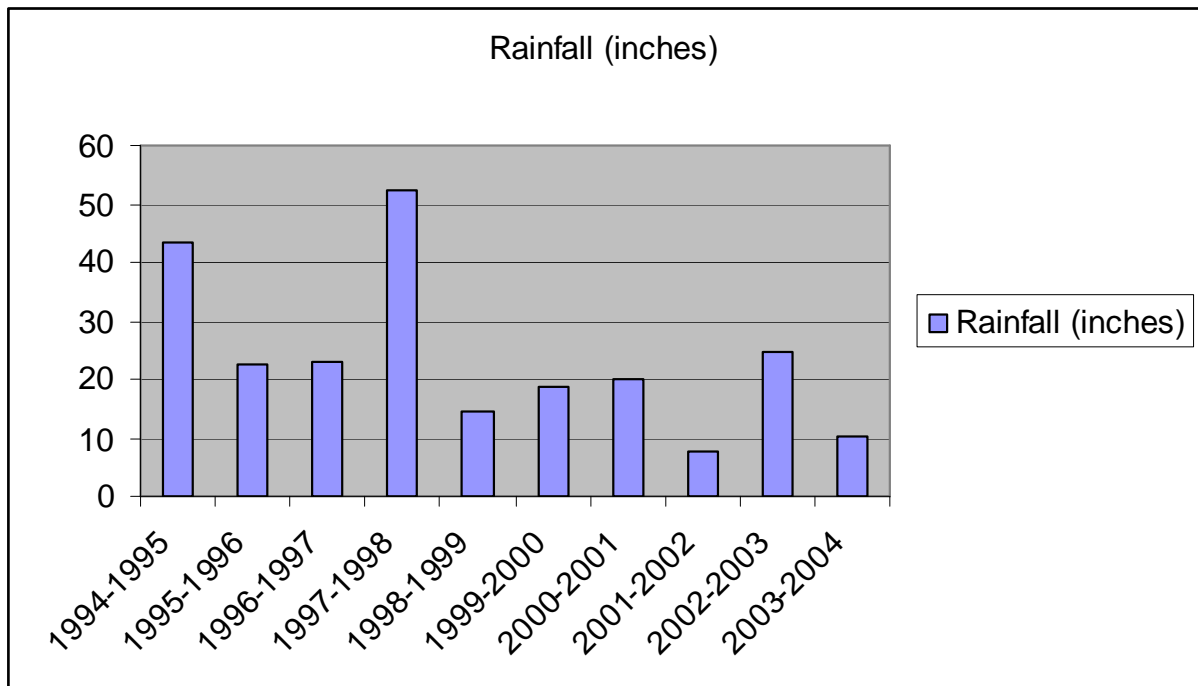
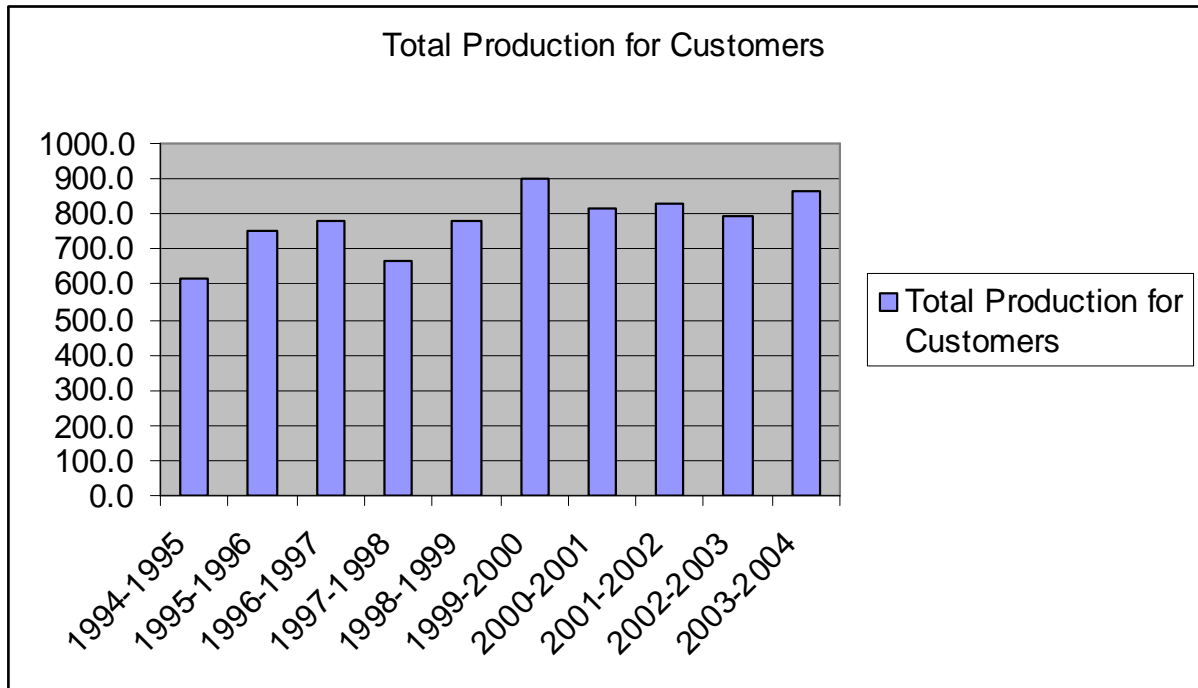
<b>Production in Acre-Feet</b>	<b>2003-2004</b>
<b>Source</b>	
Wilcox Well	148.9
K-3 Well	551.0
Total Well	699.9
Holly High/Low Tunnel	59.8
Eucalyptus Tunnel	41.5
Far Mesa Tunnel	45.6
House Tunnel	12.7
Delores Tunnel	2.4
Total Tunnel	162.0
<b>Total Production</b>	<b>861.9</b>
Deliveries from Pasadena	0.0
Deliveries to Pasadena	0.0
Net Import/Export	0.0

### **Total Production for Customers** **861.9**

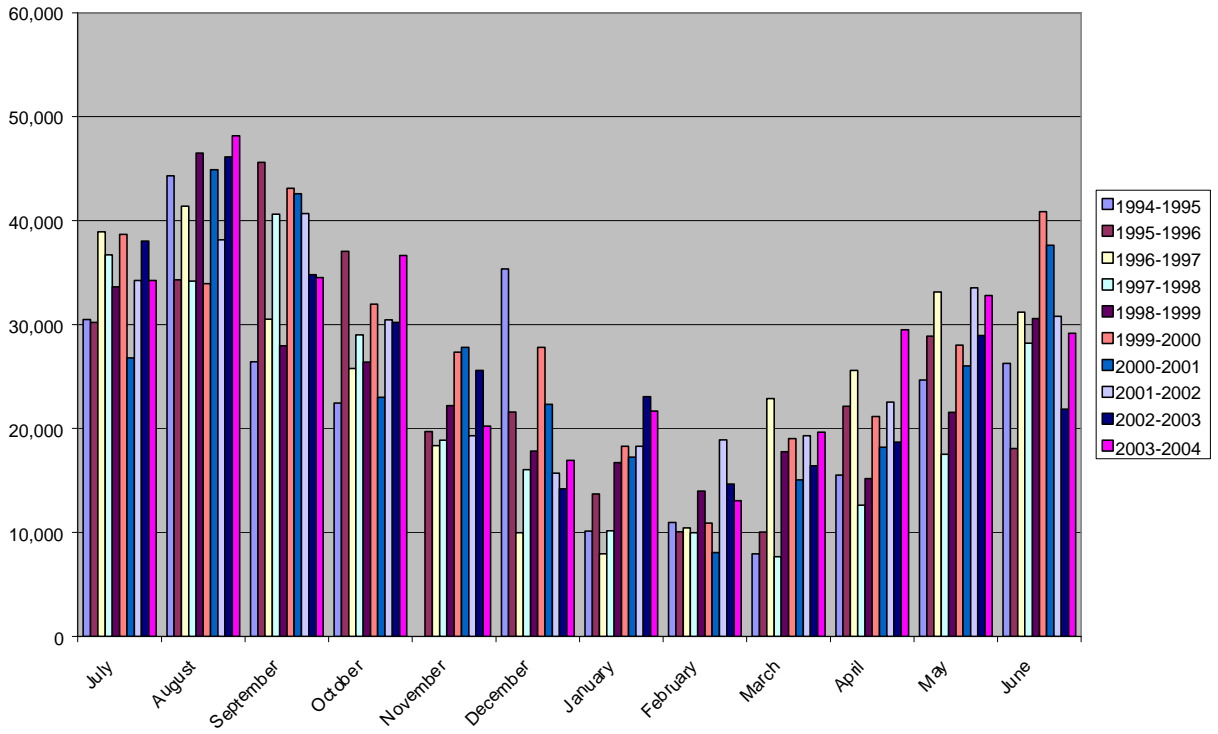
<b>Spreading in Acre-Feet</b>	<b>2003-2004</b>
<b>Source</b>	
Delores Tunnel	21.5
Holly High/Low	0.0
House Tunnel	0.0
Kinneloa Canyon	9.5
Eucalyptus	0.0
Long Tunnel	35.3
Far Mesa	0.0
Glen Wash	28.1
Tent Tunnel	2.0
Sierra Madre Villa DB	86.9
Sierra Madre Villa DB Outflow	0.0
Total Diverted	183.3

<b>Other Data</b>	<b>2003-2004</b>
Rainfall (inches)	10.12
Wilcox Well Static Level (yearend, feet)	450.0
Wilcox Well Pumping Level (yearend, ft.)	505.0
<b>Water Sales to Customers (acre-feet)</b>	<b>772.6</b>
Water Loss (acre-feet)	89.3
<b>Water Loss (%)</b>	<b>10.4%</b>

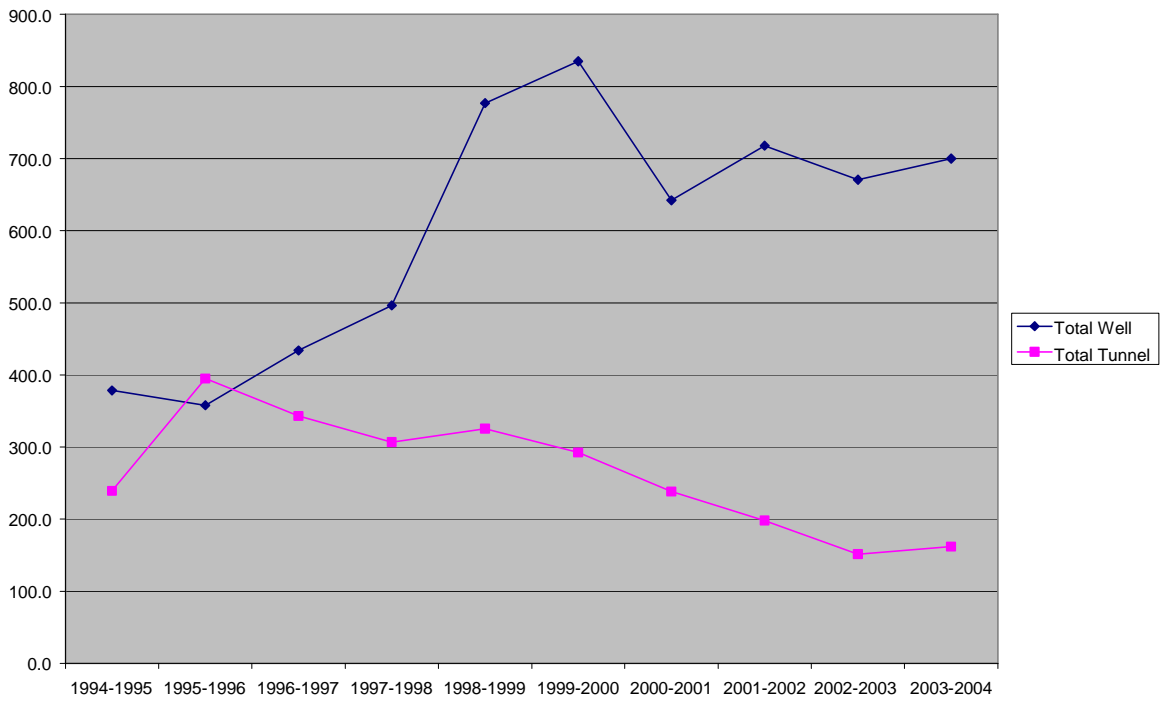
## Data for 1994-2004



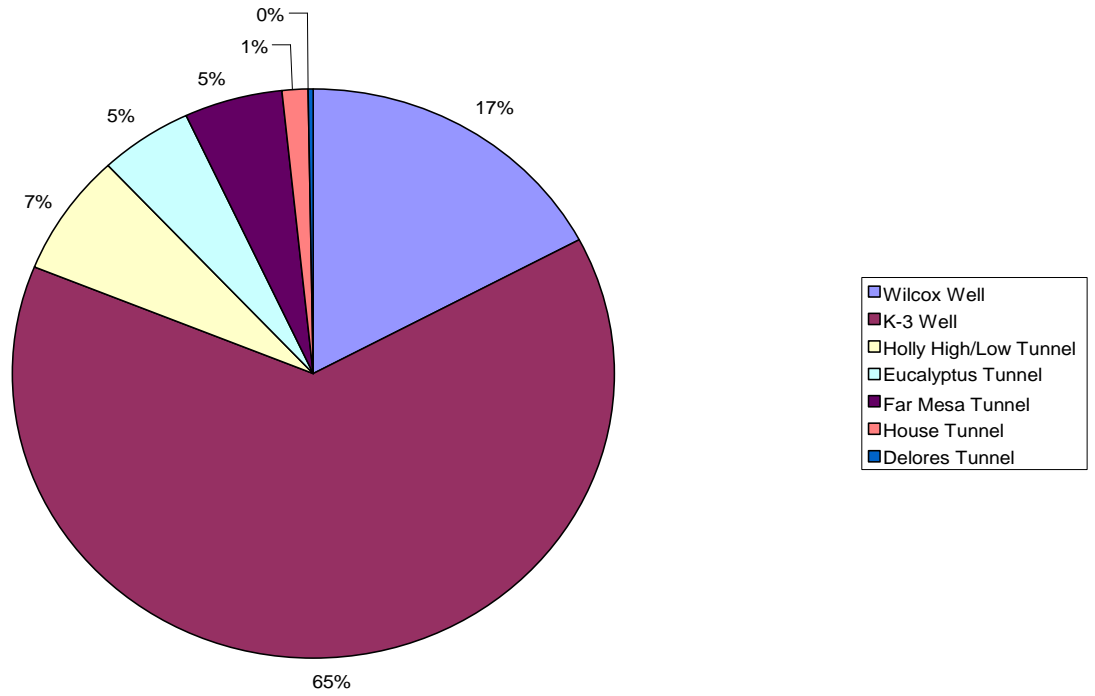
### Monthly Water Sales (CCF)



### Total Production 1994-2004



2003-2004 Productions Sources



## Financial Summary for 2004 (Unaudited)

	2004 Budget	2004 Actual	Variance Amount	Variance %
<b>Income</b>				
Metered Water Sales	792,000.00	852,381.36	(60381.36)	-7.6%
Invoice Sales	0.00	5,340.18	0.00	0.0%
Interest-Bank of the West	750.00	33.46	716.54	95.5%
Interest-LAIF	6,250.00	8,149.92	(1,899.92)	-30.4%
Capacity Chg.	0.00	3,000.00	(3,000.00)	0.0%
<b>Total Income</b>	<b>799,000.00</b>	<b>863,842.03</b>	<b>(69,904.92)</b>	<b>-8.7%</b>
<b>Operating Expense</b>				
Purchased Water	500.00	30,227.57	(29,727.57)	0.0%
Power	110,000.00	92,389.27	17,610.73	16.0%
Maintenance Supplies	32,000.00	12,972.15	19,027.85	59.5%
Safety Equipment	1,500.00	974.82	525.18	35.0%
Maintenance Labor	133,000.00	143,303.12	(10,303.12)	-7.7%
Stand-by	11,000.00	10,980.00	20.00	0.2%
Training/Certification	1,500.00	1,999.47	(499.47)	-33.3%
Water Treat/Analysis	17,000.00	16,525.05	474.95	2.8%
Outside Contractors	40,000.00	25,323.53	14,676.47	36.7%
Truck Maintenance	6,500.00	8,941.48	(2,441.48)	-37.6%
Fuel - All Equipment - Gas & Diesel	6,500.00	6,288.07	211.93	3.3%
Truck Lease	6,500.00	903.62	5,596.38	86.1%
Equipment Rental	1,000.00	118.20	881.80	88.2%
Insurance-Workers Compensation	13,000.00	13,503.50	503.50	-3.9%
Insurance-Liability and Vehicle	14,000.00	12,691.00	1,309.00	9.4%
Insurance-Property	2,000.00	2,149.00	(149.00)	-7.5%
Insurance-Medical/Dental	22,000.00	30,174.93	(8,174.93)	-37.2%
<b>Sub Total Operating Exp.</b>	<b>418,000.00</b>	<b>409,464.78</b>	<b>8,535.22</b>	<b>2.0%</b>
<b>Administrative Expense</b>				
Engineering	6,000.00	2,264.99	3,735.01	62.3%
Water Master	2,300.00	2,092.00	208.00	9.0%
Raymond Ground Water Basin Study	3,000.00	4,243.00	(1,243.00)	-41.4%
Administrative Salary	79,000.00	72,205.59	6,794.41	8.6%
Administrative Travel	4,800.00	1,935.43	2,864.57	59.7%
Administrative PERS	5,350.00	4,788.63	561.37	10.5%
Administrative Expenses	2,500.00	2437.55	62.45	2.5%
Board of Directors Compensation	8,000.00	6,800.00	1,200.00	15.0%
Board of Directors-Election Expenses	0.00	10.22	(10.22)	0.0%
Board of Directors-Meeting Expenses	300.00	150.00	150.00	50.0%
Customer/Public Information Program	1,000.00	2,253.76	(1,253.76)	-125.4%
PERS – KID Contribution	2,200.00	2,201.80	(1.80)	-0.1%

	2004 Budget	2004 Actual	Variance Amount	Variance %
Social Security-KID	21,000.00	21,035.75	(35.75)	-0.2%
Office Supplies	8,000.00	7,596.66	403.34	5.0%
Postage	5,000.00	3,958.15	1,041.85	20.8%
Professional Dues	3,500.00	4,788.75	(1,288.75)	-36.8%
Legal	25,000.00	9,925.90	15,074.10	60.3%
Signal Service	790.00	817.31	(27.31)	-3.5%
Telephone	7,500.00	6,362.19	1,137.81	15.2%
Cellular Telephone	2,000.00	2,972.19	(972.19)	-48.6%
Pagers	1,800.00	1,712.51	87.49	4.9%
Internet Service	800.00	937.02	(137.02)	-17.1%
Computer/Software Maintenance	10,000.00	3,774.34	6,225.66	62.3%
Office Equipment	7,000.00	3,791.09	3,218.91	46.0%
Office Equip.Maint.	4,000.00	879.96	3,120.04	78.0%
Accounting	6,000.00	5,900.00	100.00	1.7%
Office Labor	41,000.00	40,740.36	259.64	0.6%
Outside Services	25,000.00	16,187.37	8,812.63	35.3%
Operational Fees	1,000.00	0.00	1,000.00	100.0%
Permits/Fees	0.00	597.12	(597.12)	0.0%
Interest/Late Charge Expense	0.00	1.69	(1.69)	0.0%
Bank Service Charges	0.00	945.74	(945.74)	0.0%
<b>Sub Total Admin.</b>	<b>283,840.00</b>	<b>234,764.99</b>	<b>49,075.01</b>	<b>17.3%</b>
<b>Total Operating and Admin. Expense</b>	<b>701,840.00</b>	<b>644,229.77</b>	<b>57,610.23</b>	<b>8.2%</b>
<b>Net Revenues</b>	<b>97,160.00</b>	<b>224,675.15</b>	<b>(127,515.15)</b>	<b>-131.2%</b>
<b>Other Expenditures</b>				
<b>Planned Maint. Expenditures</b>				
<b>GENERATOR -</b>				
Replace Office Generator	20,000.00	0.00	20,000.00	100.0%
<b>HOLLY TANKS</b>				
Coating In/Out Plus Valve Replacement	80,968.00	180,190.46	(99,222.46)	-122.5%
<b>REPLACEMENT METERS</b>				
Replace Old Meters in System (Approx 125)	18,000.00	5,336.78	12,663.22	70.4%
<b>TELEMETRY</b>				
Security & Flow Monitoring	9,000.00	9,284.87	(284.87)	-3.2%
<b>Plan Maintenance Sub. Total</b>	<b>127,968.00</b>	<b>194,812.11</b>	<b>(66,844.11)</b>	<b>-52.2%</b>
<b>Capital Expenditures</b>				
<b>K-3 WELL</b>				
Transmission Line Construction	230,000.00	227,616.48	2,383.52	1.0%
<b>Capital Sub. Total</b>	<b>230,000.00</b>	<b>227,616.48</b>	<b>2,383.52</b>	<b>1.0%</b>
<b>Total Other Expenditures</b>	<b>357,968.00</b>	<b>422,628.59</b>	<b>(64,660.59)</b>	<b>-18.1%</b>
<b>Net (Drawdown) / Increase</b>	<b>(260,808.00)</b>	<b>(197,953.44)</b>	<b>(62,854.56)</b>	<b>24.1%</b>



## Balance Sheet as of December 31, 2004 (Unaudited)

### ASSETS

#### Current Assets

1000	Checking-Bank of the West	54,548.46	
1012	Savings Account-LAIF	110,217.62	
1013	Savings-LAIF Restricted	250,000.00	
1100	Accts. Receivable–Water Sales	84,178.88	
1101	Accts. Receivable–Invoices	6,718.54	
1111	Interest Receivable	2,490.10	
1190	Allowance for Bad Debts	(5,273.11)	
1200	Inventory	20,000.00	
1350	Prepaid Insurance	13,761.91	
1360	Prepaid Expenses	7,395.00	
	<b>Total Current Assets</b>		<b>544,037.40</b>

#### Property and Equipment

1501	Water Rights	52,060.41	
1502	Accumulated Depreciation	(1,321,857.70)	
1503	Land Sites	96,700.08	
1504	Mains	1,007,189.12	
1505	Tunnels	442,009.16	
1506	Eaton Well	24,208.08	
1507	Improvement District #1	602,778.12	
1508	Mountain Property	6,620.00	
1509	Wilcox Well	71,312.70	
1510	Fairpoint St. Interconnect	14,203.27	
1511	Water Treatment Plant	60,630.11	
1512	Trans. & Dist. Plant Meters	54,732.59	
1513	Electrical Interface	161,129.20	
1514	Office Equipment	39,748.00	
1515	Truck Equipment	92,485.95	
1516	Water Company Facilities	36,590.26	
1517	Hidden Valley Office	51,362.92	
1518	Shaw Ranch	280,789.92	
1519	Dove Creek Project	487,383.87	
1521	Kinneloa Ridge Project	690,492.58	
1522	Eucalyptus Booster Station	471,817.81	
1527	Telemetry	113,970.83	
1528	Tanks and Reservoirs	7,449.70	
1529	Holly Tanks	181,113.76	
	<b>Total Property and Equipment</b>		<b>3,725,120.74</b>
	<b>Total Assets</b>		<b>4,269,158.14</b>

**LIABILITIES AND  
CAPITAL**

Current Liabilities			
2000	Accounts payable	22,954.27	
2271	Deposits-Construction Meters	850.00	
2272	Job Deposits	650.00	
2273	Job Deposits-Doyne Rd.	5,547.68	
2290	Accrued Vacation/Sick	24,731.70	
	<b>Total Current Liabilities</b>		<b>54,733.65</b>
Long-Term Liabilities			
	<b>Total Long-Term Liabilities</b>		<b>0.00</b>
	<b>Total Liabilities</b>		<b>54,733.65</b>
Capital			
3040	Fund Balance	2,678,246.46	
3900	Prior Year Adjustments	131,150.88	
	Net Income	224,675.15	
	<b>Total Capital</b>		<b>4,214,424.49</b>
	<b>Total Liabilities &amp; Capital</b>		<b>4,269,158.14</b>

## The Year in Pictures



K-3 Main Replacement Project



K-3 to Wilcox Interconnection



Holly Tanks Recoating Project