

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
JUNE 15, 2004**

MEMBERS PRESENT: Directors Barkhurst, Brain, Pickard, Sorell and Stock.

STAFF PRESENT: Melvin Matthews, Shirley Burt

CALL TO ORDER: The meeting was called to order at 1935 hours by the Chair, Steve Sorell. He noted that there was a quorum of the Board present. The Agenda was unanimously approved as presented.

PUBLIC COMMENT

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

REVIEW OF AUDITOR'S REPORT

The Chair introduced Gail Egan, Auditor for the District, and she review her written report as presented in the Board Packet. She noted that the format of the Audit is different than it was before because the District now has to adapt their Audit to the Government Accounting Standard Bulletin (GASB) #34 which states that a Special District Enterprise must present their financial statements and footnotes in accordance with these standards. She stated that these standards require that management of the District should also present information in the Audit and therefore this Audit is in draft form so that this information can be reviewed.

Director Barkhurst questioned as to whether the Auditor had issued a Management Letter and Ms. Egan replied that "Management Letter" is a term that is not generally acceptable in auditing standards anymore, but there are two forms of letters that are used. She explained that the first letter is a "Reportable Conditions Letter" which means that there are material errors in the financial statement but there is no need for one this year because the internal controls that were addressed in a prior year have all been corrected. The second letter is an "Another Matters Letter" that is used to notify management of other issues such as 1099 reports, etc. but all of those matters that were mentioned in prior years have been corrected also, therefore there is nothing for the Auditor to report.

Following further discussion of various sections of the audit, the Chair stated that the General Manager and the Board would collaborate and make changes in the management narratives and submit these to the Auditor within two weeks.

The Chair stated that he would like a comparison between the cash and accrual basis to be made available for the Board to review. The General Manager stated that he could provide that comparison and that he was currently making changes to the financial report toward the accrual basis. The Chair then thanked Ms. Egan for her report.

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ENGINEERING SERVICES REVIEW

The General Manager introduced Terry Kerger, Engineer from Tetra Tech, Inc., who has served as the Engineer for the District for many years. He explained that he has resigned his position at Tetra Tech, Inc. and will be employed by Civiltec Engineers. He requested that the District consider Civiltec Engineers for on call engineering services as needed by the District. The Chair requested that Mr. Kerger submit a retention agreement for the Board of Directors to consider and he stated that he would do so.

GENERAL MANAGER'S REPORT

The General Manager stated that he would not review his written report but did wish to discuss the current status of Holly Tank Project. He reported that at least six holes have been found in the bottom of the tank which will have to be repaired and will slow down the project and add additional cost to the project.

REVIEW OF MINUTES

The minutes of the Regular Meeting of May 18, 2004 were reviewed and approved with the following corrections. On page two, paragraph two, line two-- the words "as to whether" should be changed to "if the" and on line four the words "are a" should be changed to "are able to". On the third page under Adjournment -- the word "Barkhurst" should be changed to "Brain".

REVIEW OF FINANCIAL REPORT

The Financial Report of May 31, 2004 was approved as presented for filing.

ITEMS FOR NEXT AGENDA

Current Status of Water Supplies
Review of Final Audit

ADJOURNMENT

The meeting was adjourned at 2115 hours. The next Regular Meeting will be held on July 20.
Respectfully submitted,

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Shirley Burt
Secretary To The Board