

**KINNELOA IRRIGATION DISTRICT**  
**REGULAR MEETING – BOARD OF DIRECTORS**  
1999 KINCLAIR DRIVE, PASADENA, CA 91107  
TUESDAY – APRIL 16, 2013  
7:30 P.M.

**AGENDA**

- 1. CALL TO ORDER**
  - A. Declaration of a Quorum
  - B. Review of Agenda
- 2. PUBLIC COMMENT**– Comments from the public regarding items on the Agenda or other items within the jurisdiction of the District.
- 3. REVIEW AND DISCUSSION OF 2012 AUDIT DRAFT**
- 4. BROWN WELL LANDSCAPING STATUS REPORT AND DISCUSSION**
- 5. REVIEW CPI RATE FOR 2012 AND DISCUSS A COLA FOR EMPLOYEES**
- 6. REVIEW GENERAL MANAGER’S REPORT**
- 7. REVIEW MINUTES** – March 19, 2013
- 8. REVIEW FINANCIAL REPORTS** – March 31, 2013
- 9. ITEMS FOR NEXT AGENDA**
- 10. CALENDAR** – May 21, 2013  
June 18, 2013  
July 16, 2013
- 11. ADJOURNMENT**

Each item on the Agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Material related to an item on this agenda submitted after distribution of the Agenda Packet is available for public review at the District Office or online at the District’s website <http://www.kinneloairrigationdistrict.info>.

**KINNELOA IRRIGATION DISTRICT  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

**AND INDEPENDENT AUDITORS' REPORT**

KINNELOA IRRIGATION DISTRICT  
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DECEMBER 31, 2012 AND 2011

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KINNELOA IRRIGATION DISTRICT  
BOARD OF DIRECTORS AND DISTRICT MANAGEMENT PERSONNEL  
DECEMBER 31, 2012 AND 2011

BOARD OF DIRECTORS

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Gerrie G. Kilburn	Chair	2015
Richard L. Barkhurst	Treasurer	2013
Timothy Eldridge	Secretary	2015
Frank J. Griffith	Director	2013
Steven G. Sorell	Director	2015

MANAGEMENT PERSONNEL

Melvin Mathews      General Manager

OFFICE PERSONNEL

Shirley Burt              Administrative Assistant  
Bernadette Allen        Accounting Assistant

FIELD PERSONNEL

Chris Burt                Facilities Supervisor  
Brian Fry                 Facilities Operator  
Chris Mellinger         Facilities Operator

KINNELOA IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012 AND 2011

Management's discussion and analysis of the financial performance of Kinneloa Irrigation District (the "District") provides an overview of the District's financial activities for the fiscal year ended December 31, 2012. Please read it in conjunction with the District's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

- The District's operating revenues, consisting primarily of water sales, increased by 7.6% to \$1,391,759 as compared to 2011 operating revenues of \$1,294,047. The increase is primarily due to additional wholesale water sales to the City of Pasadena in 2012.
- Total operating, maintenance, administrative and general expenses including depreciation increased by 4.9% to \$1,198,426 as compared to 2011 operating expenses of \$1,142,414. The increase is primarily due to higher expenses for maintenance and repairs, power, and the contractors who do leak repair and other projects for the District.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

The District operates as a utility enterprise and its annual report consists of a series of financial statements presented on the full accrual basis of accounting. The Balance Sheets and the Statements of Revenues, Expenses and Changes in Net Assets (on pages 8 and 9) provide information about the District as a whole and present a longer-term view of the District's finances.

DESCRIPTION OF OPERATIONS

The District provides water to 580 retail customers in a service area that includes a portion of the unincorporated Los Angeles County that is east of Altadena and an adjacent portion of the City of Pasadena. The District also sells excess groundwater when available to the City of Pasadena on a wholesale basis.

The District obtains its water from two vertical wells and five horizontal wells. These sources are sufficient to meet customer demand except in periods of extreme drought or other emergency. The District has five interconnections with the City of Pasadena municipal water system which allow either agency to supply water to the other agency under emergency conditions. Additionally, The District is a member of the Foothill Municipal Water District which supplies imported water from the Metropolitan Water District of Southern California to its member agencies.

More information about the Kinneloa Irrigation District can be found on the Internet at <http://www.kinneloairrigationdistrict.info>.

KINNELOA IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012 AND 2011

CONDENSED FINANCIAL INFORMATION

The following condensed financial information provides an overview of the District's financial activities for the year ended December 31, 2012 and 2011.

NET ASSETS

	<u>2012</u>	<u>2011</u>
Capital assets, net	\$4,221,215	\$4,434,303
Other assets, net	978,369	567,695
Total assets	5,199,584	5,001,998
Other liabilities	71,484	71,157
Total liabilities	71,484	71,157
Invested in capital assets, net of debt	4,221,215	4,434,303
Unrestricted	906,885	496,538
Total net assets	\$5,128,100	\$4,930,841

Capital and other assets – The change in capital and other assets is net of an increase in capital assets primarily due to completed projects.

Net assets – Unrestricted net assets increased primarily due to the net operating surplus for 2012. Unrestricted net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

KINNELOA IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012 AND 2011

CHANGES IN NET ASSETS

	<u>2012</u>	<u>2011</u>
Total operating revenues	\$ 1,391,759	1,294,047
Total non-operating revenues	<u>5,688</u>	<u>4,141</u>
Total revenues	1,397,447	1,298,188
Total operating expenses	<u>1,198,426</u>	<u>1,142,414</u>
Total non-operating expenses	<u>1,762</u>	<u>2,584</u>
Total expenses	<u>1,200,188</u>	<u>1,144,998</u>
Change in net assets	197,259	153,190
Net assets, beginning of year	<u>4,930,841</u>	<u>4,777,651</u>
Net assets, end of year	<u>\$ 5,128,100</u>	<u>4,930,841</u>

Revenues – Retail water sales by volume increased 11% to 685 acre-feet as compared to 615 acre-feet in 2011 and total operating revenue including the revenue from wholesale water sales increased by 7.6%.

The District also received \$3,671 in non-operating revenue from interest on its investments and \$2,017 in federal disaster assistance. The District's temporary investments at year end were \$838,987 and \$393,292 in 2012 and 2011, respectively. The increase is attributed to minimal expenditures for capital improvement projects in 2012 as compared to major capital improvement projects in 2011. The temporary investments provide an operating reserve and funds for planned future major capital improvement projects.

Expenses – The District's operating and maintenance expenses increased by \$44,854 in 2012 as compared to 2011. The increase is due primarily to greater expenditures for power, maintenance and repairs, and the contractors who do leak repair and other projects for the District. The District's administrative and general expenses increased by \$18,113 in 2012 as compared to 2011. Although many expenses decreased, the net increase is primarily due to the addition of one person to the administrative staff and an unexpected increase in permits and other fees.

KINNELOA IRRIGATION DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 DECEMBER 31, 2012 AND 2011

BUDGET ANALYSIS AND VARIANCES

Revenue from retail and wholesale water sales for 2012 was \$1,391,759 as compared to the budgeted amount of \$1,121,000. The budgeted revenue was based on the actual amount from the previous year, adjusted for rate changes and/or expected new service connections for the year. Revenue from wholesale water sales was not budgeted for 2012. Since this source of revenue is considered discretionary and not predictable, the actual revenue allowed the District to exceed its overall revenue goal for 2012.

Overall, for 2012, the net revenue surplus before depreciation was \$452,412, as compared to the budgeted amount of \$134,091. Capital and planned maintenance projects in the amount of \$50,675 were completed as compared to the budgeted amount of \$117,181. A portion of the budgeted amount not spent in 2012 was carried over to future projects. The cash reserve at year end was \$838,987 as compared with the minimum target level of \$550,000 established by the Board. Each year the District budgets amounts for capital projects and planned maintenance projects based on its expected operations and available reserves. In 2012, the District completed several routine maintenance projects including purchase of replacement water meters; rebuilding of a booster pump; facility maintenance; electrical upgrades at several facilities; and improvements to the data acquisition and control system. The Board only approved routine maintenance projects such as these in order to build up the capital project reserve in anticipation of major pipeline and booster pump projects scheduled for 2013 and beyond.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At December 31, 2012 and 2011, the District had investments in land, buildings, wells and distribution systems, machinery and equipment, and construction in progress as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 96,700	96,700
Water rights	52,060	52,060
Buildings, wells and distribution system	6,529,271	6,525,057
Machinery and equipment	<u>738,705</u>	<u>716,128</u>
Totals	<u>\$ 7,416,736</u>	<u>7,389,945</u>



KINNELOA IRRIGATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2012 AND 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Inflation as measured by the consumer price index for all urban consumers in the Los Angeles area was 2.0% for the 12 months ended December 2012.
- The general economic picture in 2013 is expected to reflect a continued slow recovery from the recent recession and there might be a continued loss of jobs and possible foreclosures in the service area. However, because water service is a basic necessity, these conditions would only lead to increased emphasis on conservation. This is consistent with the consumer message as the District strives to meet an expected 30% reduction in the ground water supply by July 2014 and achieve the "20% by 2020" water-use reduction mandate by the State of California.
- In order to build reserves to complete future high-priority capital and planned maintenance projects, the Board of Directors approved a budget for 2013 that maintains the net operating surplus at approximately the same level as 2012; reduces expenditures for current capital improvement and maintenance projects; and increases rates by an average of 10% in 2013. Additionally, wholesale water sales have been budgeted for 2013 to provide additional funds for future capital improvement projects. Although this revenue is not guaranteed, the District is confident from experience in prior years that its customer, the City of Pasadena, will purchase the water if the District does not need it for its own customers.
- Weather will continue to play a significant role in determining retail water sales for 2013. Fortunately, the District will likely have the option of selling surplus water to the City of Pasadena to offset any decline in retail sales due to higher than normal rainfall or greater conservation efforts. These factors when combined are anticipated to have a neutral effect on the District's operations in 2013. The District also has the flexibility to adjust expenditures for capital improvements and planned maintenance if necessary to meet the overall budget objectives for 2013.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our purveyors, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the District's finance office at 1999 Kinclair Drive, Pasadena, CA 91107.

**EGAN & EGAN**  
CERTIFIED PUBLIC ACCOUNTANTS  
20910 MARTINEZ ST.  
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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Kinneloa Irrigation District  
Pasadena, California

We have audited the accompanying balance sheets of Kinneloa Irrigation District (the "District") as of December 31, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kinneloa Irrigation District as of December 31, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information presented on page 20 for the years ended December 31, 2012 and 2011 is presented for purposes of additional analysis and is not required as part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

April \_\_, 2013

**MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

**KINNELOA IRRIGATION DISTRICT  
BALANCE SHEETS  
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 588,987	143,292
Cash, restricted as to use	250,000	250,000
Receivables		
Water sales, net of allowance for doubtful accounts of	97,778	118,887
Other receivables	-	13,084
Prepaid expenses	21,604	22,432
Materials and supplies	<u>20,000</u>	<u>20,000</u>
Total current assets	978,369	567,695
<b>Capital assets, net of accumulated depreciation</b>	<u>4,221,215</u>	<u>4,434,303</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,199,584</u>	<u>5,001,998</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of lease payable	\$ 18,979	18,118
Accounts payable and accrued expenses	36,227	17,664
Accrued payroll and payroll taxes	15,932	13,895
Customer deposits	<u>346</u>	<u>2,500</u>
Total current liabilities	71,484	52,177
<b>Lease obligation, net of current portion</b>	<u>-</u>	<u>18,980</u>
Total liabilities	71,484	71,157
<b>Net assets</b>		
Invested in capital assets, net of related debt	4,221,215	4,434,303
Unrestricted	<u>906,885</u>	<u>496,538</u>
Total net assets	<u>5,128,100</u>	<u>4,930,841</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,199,584</u>	<u>5,001,998</u>

The accompanying notes are an integral part of the financial statements.

**KINNELOA IRRIGATION DISTRICT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u><b>2012</b></u>	<u><b>2011</b></u>
Operating revenues		
Water sales and service fees	\$ <u>1,391,759</u>	<u>1,294,047</u>
Operating expenses		
Operating and maintenance	636,921	592,067
Administration and general	306,352	288,239
Depreciation	<u>255,153</u>	<u>262,108</u>
Total operating expenses	<u>1,198,426</u>	<u>1,142,414</u>
Operating income	<u>193,333</u>	<u>151,633</u>
Non-operating revenues (expenses)		
Interest	3,671	4,141
Interest expense	(1,762)	(2,584)
Federal disaster assistance	<u>2,017</u>	<u>-</u>
Total non-operating revenue	<u>3,926</u>	<u>1,557</u>
Change in net assets	197,259	153,190
Net assets, beginning of year	<u>4,930,841</u>	<u>4,777,651</u>
Net assets, end of year	<u>\$ 5,128,100</u>	<u>4,930,841</u>

The accompanying notes are an integral part of the financial statements.

**KINNELOA IRRIGATION DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>Cash flows from operating activities:</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Cash received from customers	\$ 1,425,952	1,288,852
Cash payments to employees for services	(330,935)	(329,895)
Cash payments for services and goods	<u>(590,910)</u>	<u>(546,265)</u>
Net cash provided by operating activities	<u>504,107</u>	<u>412,692</u>
 <b>Cash flows from capital and related financing</b>		
Cash paid for construction and acquisition of capital	(42,065)	(841,091)
Principal paid on lease obligation	(18,119)	(17,297)
Customer deposits	(2,154)	(20,850)
Federal disaster assistance	<u>2,017</u>	<u>          </u>
Cash used by capital and related financing activities	<u>(60,321)</u>	<u>(879,238)</u>
 <b>Cash flows from investing activities:</b>		
Interest received	3,671	4,141
Interest paid	<u>(1,762)</u>	<u>(2,584)</u>
Cash provided by investing activities	<u>1,909</u>	<u>1,557</u>
Net increase in cash and cash equivalents	445,695	(464,989)
Cash and temporary investments, beginning of the year	<u>393,292</u>	<u>858,281</u>
Cash and temporary investments, end of the year	<u>\$ 838,987</u>	<u>393,292</u>
 <b>SUMMARY OF BALANCE SHEET CASH and CASH EQUIVALENTS</b>		
Cash	\$ 588,987	143,292
Temporary investments, restricted as to use	<u>250,000</u>	<u>250,000</u>
Total cash	<u>\$ 838,987</u>	<u>393,292</u>

The accompanying notes are an integral part of the financial statements.

**KINNELOA IRRIGATION DISTRICT  
STATEMENTS OF CASH FLOWS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>Reconciliation of operating income to net cash operating activities:</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Operating income	\$ 193,333	151,633
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	255,153	262,108
Decrease (increase) in receivables	34,193	(5,195)
Decrease (increase) in prepaid expenses	828	6,299
(Decrease) increase in accounts payable and accrued expenses	<u>20,600</u>	<u>(2,153)</u>
Net cash provided by operating activities	<u>\$ 504,107</u>	<u>412,692</u>

DRAFT

The accompanying notes are an integral part of the financial statements.

KINNELOA IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kinneloa Irrigation District (the "District") is a special district organized in 1953 under the provisions of Division 11 of the Water Code of the State of California. The District delivers water to the residents in a specific area of Los Angeles County, northeast of the City of Pasadena. This District is not a subdivision of a larger governmental organization.

The District is governed by an elected Board of Directors. At December 31, 2012, the Board of Directors were as follows:

<u>Name</u>	<u>Title</u>
Gerrie G. Kilburn	Chair
Richard Barkhurst	Treasurer
Timothy Eldridge	Secretary
Frank J. Griffith	Director
Steven G. Sorell	Director

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental enterprise funds. The more significant policies reflected in the financial statements are summarized as follows:

a. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, retained earnings, revenues and expenses. The District has one fund, which is presented in the accompanying financial statement as a Proprietary Fund category, Enterprise Fund type.

b. Basis of Accounting

The District uses the accrual method of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred. Unbilled receivables are not reflected in the accompanying financial statements because the amounts are not material.

The District maintains its financial statements using accounting principles for Enterprise Funds.

KINNELOA IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c. Utility Plant

Utility plant is stated at cost. The District capitalizes applicable overhead costs in connection with self-constructed assets. Depreciation of all exhaustible utility plant is charged as an expense in the accompanying statements of income. Depreciation is provided over the estimated useful lives of the asset using the straight-line method. Estimated useful lives are as follows:

	<u>Number of Years</u>
Water system	5 to 50
Autos and trucks	3 to 5
Office equipment	5 to 10
Office and production facilities	10 to 40

d. Restricted Assets

The Board of Directors has designated a portion of the District's cash and cash equivalents to be maintained for future capital improvements.

e. Uncollectible Accounts

The District's management estimates that accounts receivable are collectible. Unpaid water accounts receivable become a lien on the property and must be paid upon the sale of the property.

f. Cash and Cash Equivalents

The District defines cash and cash equivalents as demand account balances, cash on hand and money market accounts.

The District invests cash in excess of its operating requirements primarily with the State Treasurer's Local Agency Investment Fund (LAIF) and CalTrust, a money market account.

g. Materials and Supplies

Materials and supplies are stated at cost and consist of expendable supplies held for consumption or future additions to Utility Plant.

h. Concentration of Credit Risk

The District's receivables are from consumers within a specific geographic area.

i. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



KINNELOA IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

j. Budgetary Process

Each year, the District adopts a budget which provides for its general operations. Budgets are prepared on the accrual basis of accounting. The District follows these procedures in establishing the budget for the fiscal year:

- i. Formal budgetary integration is employed as a management control device during the year for the operations.
- ii. The Board approves the total budget for the year for the District. The Board is authorized to make any budget adjustments during the year.
- iii. Unused appropriations lapse at the end of the year unless extended into the subsequent year by a vote of the Board of Directors.

k. Income Taxes

The District is exempt from income taxes under provisions of the Internal Revenue Code and related California statutes; accordingly, no provision for income taxes is required.

l. Compensated Absences

It is the District's policy to permit employees to accumulated paid time off for either vacation or illness in accordance with the limits expressed in its employee handbook. Upon termination, retirement or death of an employee, the District pays eligible accrued time in a lump-sum payment to the employee or beneficiary. Accumulated paid time off is recorded as an expense and a liability at the time the benefit is earned.

m. Operating Revenues and Expenses

Operating revenues, principally water sales, are charges for services resulting from exchange transactions associated with the principal activity of the District and billed monthly. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from nonexchange transactions or ancillary activities in which the District gives or receives value without directly receiving or giving equal value in exchange.

n. Property taxes

The Constitution of the State of California, Article 13A, limits the District's ability to levy taxes on property within the District. Taxes may be imposed upon the vote of a two-thirds vote of the qualified electors of the District. Such taxes would be limited for a specific purpose such as bond indebtedness or improvements to the water system.

o. Subsequent Events

The District has evaluated subsequent events through the date at which the financial statements were available to be issued. No material subsequent events required disclosure.

KINNELOA IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011

**NOTE 2. CASH AND CASH EQUIVALENTS**

At December 31, 2012 and 2011 cash and cash equivalents consist of:

	<u>2012</u>	<u>2011</u>
Insured with financial institutions	\$ 259,683	17,659
Local Agency Investment Fund ("LAIF")	117,931	117,498
Uninsured and uncollateralized	461,373	258,135
	<u>\$ 838,987</u>	<u>393,292</u>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

The District is a voluntary participant in LAIF, which is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's prorata share of the fair value provided by LAIF for the entire LAIF portfolio. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The District invests in CalTrust, a Joint Powers Authority established by public agencies in California for the purpose of pooling and investing local agency funds. A Board of Trustees, comprised of experienced investment officers and policy-makers of the members, supervises and administers the investment program of the Trust. CalTrust invests in fixed income securities eligible for investment pursuant to California Government Code. Investment in CalTrust accounts are uninsured and uncollateralized.

KINNELOA IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011

**NOTE 2. CASH AND CASH EQUIVALENTS, continued**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by participating in LAIF. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not believe a credit risk exists from its deposits with LAIF.

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2012 and 2011 was as follows:

<b>2012</b>				
	Balance January 1	Additions	Transfers	Balance December 31
Land	\$ 96,700			96,700
Water rights	52,060			52,060
Buildings, wells and distribution system	6,525,057	4,214		6,529,271
Machinery and equipment	716,128	22,577		738,705
	7,389,945	26,791		7,416,736
Less accumulated	(2,955,642)	(239,879)		(3,195,521)
Total capital assets	\$ 4,434,303	(213,088)		4,221,215
<b>2011</b>				
	Balance January 1	Additions	Transfers	Balance December 31
Land	\$ 96,700			96,700
Water rights	52,060			52,060
Buildings, wells and distribution system	5,725,081	782,901	17,075	6,525,057
Machinery and equipment	657,939	58,189		716,128
Construction in progress	17,075		(17,075)	-
	6,548,855	841,090		7,389,945
Less accumulated	(2,444,905)	(510,737)		(2,955,642)
Total capital assets	\$ 4,103,950	330,353		4,434,303

KINNELOA IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 4. PENSION PLAN

Plan Description

The District contributes to the State of California Public Employees Retirement System ("PERS"), an agent multi-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by statute and city ordinance. Copies of PERS' annual financial report may be obtained from their offices or through their web site.

All full time employees are eligible to participate as members of PERS. Benefits vest after five years of service. District employees are eligible to retire upon attaining age 60. Annual retirement benefits are determined based upon the age at retirement, the length of membership service and the amount of earnings based upon the highest twelve consecutive months average.

Funding Policy

For the years ended December 31, 2012 and 2011, participants were required to contribute 7 % of their annual covered salary. The District is required to contribute at an actuarially determined rate. The contribution requirements of plan members and the District are established and may be amended by PERS.

Annual Pension Cost

Annual pension cost was 5.813% and 5.903% for the periods January 1, 2012 through June 30, 2102 and the period July 1, 2012 through December 31, 2012, respectively. The District made contributions of \$14,341 and \$13,076 for the years ended December 31, 2012 and 2011, respectively. The District does not have a Net Pension Obligation under current generally accepted accounting principles.

Actuarial Assumptions and Methods

The actuarial valuation is computed using the entry age normal actuarial cost method. The actuarial assumptions include: (a) an investment rate of return of 7.75% compounded annually, after June 30, 2012, the rate was 7% (b) projected annual salary increases that vary by duration of service, and (c) payroll cost-of-living adjustments of 3.25%. The rates used in (a) and (b) are compounded annually at 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a specific period that depends upon the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of projected payroll over a closed 20-year period. The District does not have an unfunded liability.

KINNELOA IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2012 AND 2011

NOTE 4 - PENSION PLAN, continued

The following presents a short history of the funded status of the entire PERS plan, covered payroll and related actuarial information:

Valuation Date	Accrued Liabilities	<u>Dollars in 1,000; Zeros Omitted</u>				
		Actuarial Assets	PERS Unfunded Liabilities (UL)	Funded Ratio %	Annual Covered Payroll	UL as a % of Payroll
06/30/11	896,216	850,298	45,918	94.9	234,453	19.6
06/30/10	624,423	467,904	29,932	74.9	186,778	16.0
06/30/09	582,842	553,954	28,888	95.0	184,320	15.7

NOTE 5. INSURANCE POOLS

The District is a member of the Joint Powers Insurance Authority (“JPIA”), which pools together members of the Association of California Water Agencies for the purpose of paying group property, general liability and workers' compensation claims. Premiums are remitted directly to the JPIA by its members. The property portion is entirely self-funded, and the general liability self-funded portion is capped at \$500,000. Excess liability insurance in the amount of \$29,500,000 has been purchased by the Authority, bringing the total liability coverage to \$30,000,000.

To date, the District and its counsel are not aware of any material claims incurred through the period ended December 31, 2012 regarding these insurance plans. The District does not anticipate the need for a reserve for IBNR.

NOTE 6. NET ASSETS

The District is required to present the difference between assets and liabilities as net assets, not equity. Net assets are classified as either restricted, unrestricted or invested in capital assets, net of debt.

Net assets that are invested in capital assets, net of debt consist of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition or construction of those assets.

KINNELOA IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

NOTE 6. NET ASSETS, continued

Restricted net assets are those net assets that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of debt.” Unlike the restricted net assets, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net assets. The Board may at any time change or eliminate amounts established for these purposes.

NOTE 7 - CONTINGENCIES

The District is the subject of certain claims and assessment arising in the normal course of its operations. Management of the District does not believe that the resolution of these matters will have a material adverse effect on the District's financial condition.

DRAFT

**SUPPLEMENTARY INFORMATION**

KINNELOA IRRIGATION DISTRICT  
SCHEDULE OF OPERATING EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>Operating &amp; Maintenance</b>		
Power	\$ 103,626	89,764
Leased water rights	37,200	27,900
Labor	160,019	183,140
Engineering	9,116	13,953
Maintenance and repairs	56,164	31,437
Water analysis	21,178	19,542
Outside contractors	122,387	113,500
Truck maintenance and fuel	15,722	22,771
Insurance	66,971	71,277
Safety equipment	99	493
Water master	11,360	10,567
Capital improvement fees	3,002	(565)
Other	30,077	8,288
	<u>\$ 636,921</u>	<u>592,067</u>

DRAFT

<b>Administrative and General</b>		
Administrative salaries	\$ 124,931	120,053
Office labor	63,922	45,053
Payroll taxes	26,018	25,994
CalPERS retirement	14,341	13,076
Outside services	9,299	13,583
Legal fees	3,645	3,093
Professional dues	7,872	7,064
Board meetings	5,200	4,800
Office expense	19,588	24,662
Telephone	8,237	9,465
Accounting fees	6,200	6,200
Permits and operational fees	14,272	6,230
Information systems	2,827	8,966
	<u>\$ 306,352</u>	<u>288,239</u>





# Memo

Date: April 12, 2013  
 To: Board of Directors  
 From: Mel Matthews  
 Subject: Update on Brown Well Landscaping and Discussion of Possible Alternatives

Following is a summary of activity since the last board meeting:

1. Michael Hamilton may be moving in the future but has approved in principle the draft landscape license agreement should he want to proceed with his proposed landscape project. He will donate \$500 in plants to the district regardless of whether or not we come to mutual agreement.
2. Survey: Western States Surveying completed the survey of the Brown site and placed corner markers. The results show a considerable encroachment by Mr. Snider on the east and south sides of the Brown Well site. The encroachment area has been landscaped with lawn, paths and a hedge. The western property line shows no current encroachment by either Mr. Snider or Mr. Wong. Mr. Wong has not submitted any plans for his driveway or landscaping or contacted me since our previous on-site meeting.
3. I met with Mr. Snider to look at the encroachment area and discuss possible solutions for resolving the issue with the potential buyer of his home. He intends to accept an offer in the near future.
4. Frank Griffith and I met with Mr. Snider and his Realtor® Darrell Done to discuss the issues and possible solutions. They agreed to have the potential buyer(s) return so that the encroachment can be fully disclosed and to determine if the buyer(s) want to retain use of the encroachment area. Mr. Snider has verbally offered to reimburse the District for all or most of the cost of the survey in exchange for the District's facilitation of a landscape license agreement with the new owner at little or no cost to the new owner.
5. The KID is proceeding to order materials and to schedule installation of a water service for the property as previously approved by the Board.

Based upon the above information I have following scenarios for your discussion and possible action:

(Continued on page 2)

1. Landscape License Agreement – If the new owner wants to continue to have the existing landscaped encroachment area as part of the yard, I would present the draft agreement for consideration by the new owner. There would either be no cost to the new owner upon execution of the agreement if we accept Mr. Snider's offer to reimburse some or all of the District's costs, or as an alternative, the new owner would pay a one-time negotiated fee as part of the agreement.

The advantage to the KID of this option is that we are relieved of the responsibility for maintaining the existing or alternate landscaping on a substantial portion of the Brown Well site. This is consistent with the two other similar agreements that are currently in force and is predicated on the concept that there is mutual benefit to both parties. This option does not preclude an additional license agreement with Mr. Wong or Mr. Hamilton with regard to the remaining non-landscaped portion of our property nor does it preclude our landscaping of the remaining portion of the property.

2. No Agreement – If the new owner does not want to continue to use the existing landscaped area, we would recover that portion of the property for whatever use we determine is in the best interest of the District. We would have the option of changing the existing landscape and/or delineating the boundary with landscape materials, fencing or hardscape and/or negotiating an agreement with another party to landscape the entire site.
3. Lease Agreement – We would present this as an option to the new owner only if we decided that the land had a continuing monetary value to the new owner over and above the mutual benefit to the parties in the landscape license agreement described above.

The one option that I have not presented above is the sale of all or part of the Brown Well parcel. Notwithstanding the cost of "killing" the well to make the property saleable, I believe that this asset could become valuable in the future. The District does not have an abundance of property suitable for a new or rehabilitated well and the acquisition of new property and the permitting process is expensive and onerous.

In conclusion, I recommend that the Board discuss these options and provide guidance to me regarding continued negotiations with the present and future owners of the adjacent properties.

# General Manager's Report for the Board of Directors Meeting on April 16, 2013

## I. Capital Improvement, Preventative Maintenance and Repair Projects

- A. Wilcox Well** – General Pump Company lifted the pump to inspect level transducer, airline and chemical hose. After video inspection it was determined that repair as originally budgeted was not possible. Therefore the airline and chemical line were replaced by installing 540 feet of ¾ inch schedule 40 PVC with a new polyethylene airline taped to the chemical line. Two return trips were required to complete the project.
- B. East-West Tank Connector Pipeline** – SA Associates is continuing to work on the addendum to the report that will consider the pros and cons of four alternate routes that will allow us to determine the recommended route for the development of plans and specifications.

## II. Customer Account Status

### A. Delinquent Accounts –

33 accounts received past-due notice  
32 accounts received late charges in the total amount of \$525.87  
6 accounts received door hanger shut off notice  
0 accounts were shut off for non-payment  
2 accounts remains shut off for non-payment

### B. Aged Receivables as of March 31, 2013 –

Current	30 days	60 days	90 days or greater	Total
\$41,288.57	\$2,646.48	\$297.22	\$1,070.53	<b>\$45,302.80</b>

## III. General Manager's Projects and Activities

- A. 2012 Audit** – Most of my time this month has been spent on the 2012 audit. The final draft audit is completed and will be presented at this meeting for review by the Board. The recommendation of the treasurer and the staff is to publish the audit subject to any minor changes recommended by the Board at the meeting.
- B. Brown Well** – I prepared a request for proposals for the survey and selected the surveyor. I also worked on a revision of the draft *Landscape License Agreement* to incorporate changes previously suggested by Directors Sorell and Griffith. The field work on the survey has been completed.

## IV. Information for the Board and Requests from the Board

- A. Internet Site Statistics** – As requested by Director Griffith, presented below are the monthly statistics for the 2012 and the first three months of 2013 for the District's Internet site: The Monthly

Report identifies activity for each month in the report time frame. Each page hit can result in several server requests as the images and documents for each page are loaded.

Month	Number of requests	Number of page requests
January 2012	3,168	1,457
February 2012	3,598	1,561
March 2012	7,246	2,179
April 2012	4,599	1,757
May 2012	4,766	1,712
June 2012	3,498	1,489
July 2012	3,510	1,489
August 2012	4,089	1,527
September 2012	4,716	1,856
October 2012	5,200	2,217
November 2012	4,713	2,308
December 2012	5,225	2,277
January 2013	5,635	2,290
February 2013	6,212	2,516
March 2013	9,161	4,473

There has been considerable growth since the activation of the “My Account” feature and payment options via the Internet site and our promotion of the site in our billing messages.

## V. Agency and Association Update

### A. Association of California Water Agencies (ACWA)

1. The preparation of the 2014 budget has begun.
2. ACWA Board approved general guidelines for modifying the 2014 water bond with an eye to downsizing the bond by removing “earmarks” that allocate funds for specific projects without going through a competitive process. The board also confirmed the overarching policy principle of using general obligation bond money to fund the statewide public benefits of water projects.
3. New materials have been created for the *Save Our Water* public education campaign that is spearheaded by ACWA. We have updated our web site to prominently highlight the link for water saving tools.

### B. Raymond Basin Management Board (RBMB)

1. Pumping and Storage Committee is studying issues related to the Santa Anita Sub-basin involving Cities of Sierra Madre and Arcadia regarding pumping levels.
2. Finance and Administration Committee is working on a draft budget to be presented to the Board in April.

**C. California Special Districts Association (CSDA)**

1. The legislative committee is reviewing hundreds of bills impacting special districts that will be working through the committee process in the next few weeks. CSDA will be providing a *Legislative Hot Sheet* on the association's web site at [www.csda.net](http://www.csda.net).
2. CALTRUST, the CSDA endorsed investment pool, entered its ninth year of operation with an all-time high of over \$1.3 billion in participant assets. Overall yields are still exceeding those of the State Treasurers' Local Agency Investment Fund (LAIF).

**D. Foothill Municipal Water District (FMWD)**

1. Grant applications for the proposed recycled water facility has been completed and submitted. FMWD is expecting to receive over \$1 million in grant funding for the \$3 million project that will produce approximately 300 AF of water annually for recharge of the Raymond Basin aquifer. Although the KID is not participating in this specific project, a successful conclusion will provide a blueprint for replication of the plant at other locations including the Eaton Canyon area.
2. The 2013-2014 budget is being prepared for submission to the Board in June.

**E. National Pollutant Elimination System (NPDES) Permit Working Group**

1. The pilot program for implementation of the new MS4 permit is continuing in the Rio Hondo watershed that includes the KID. A *Best Management Practices* manual is being prepared to manage and document discharge practices.
2. Meetings are continuing with all stakeholders with respect to compliance with the Regional Water Quality Board's other permits including water quality requirements and reporting.

**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS OF THE  
KINNELOA IRRIGATION DISTRICT  
MARCH 19, 2013**

**MEMBERS PRESENT:** Directors Barkhurst, Eldridge, Griffith, Kilburn and Sorell

**STAFF PRESENT:** Melvin Matthews, General Manager  
Chris Burt, Facilities Supervisor  
Shirley Burt, Administrative Assistant

**CALL TO ORDER:** The Meeting was called to order by the President, Gerrie Kilburn, at 1932 hours. She noted that there was a quorum present.

**PUBLIC COMMENT:** Mala Arthur gave a brief report on the status of the Pasadena Glen Fire Safe Council noting 1) that the Bylaws still need to be written, and 2) that they have found a Bank that will charge no interest. She submitted a proposal from Driver+Alliant Insurance Services and stated that they are also soliciting other insurance proposals.

**REVIEW OF PUBLIC HEARING ON L. A. COUNTY'S CLEAN WATER, CLEAN BEACHES, MEASURE:**

The **General Manager** reviewed his report on the Measure as it appeared in the Board Packet and stated that he thought the measure was dead for the moment.

**Director Kilburn** stated that even if the measure appeared dead at this time she thought the accurate evaluation of the District properties should be obtained in case the Measure becomes active in the future. General Manager stated he would request the corrected evaluations.

**REVIEW OF BROWN WELL LANDSCAPING REQUEST:**

**Director Kilburn** reported that this afternoon she had met with Director Griffith, the General Manager and Mr. Wong at the Brown Well Site and asked the **General Manager** to review the current status of the situation.

The **General Manager** stated that he had several conversations with Mr. Hamilton and that at this time Mr. Hamilton did not wish to proceed to have the property surveyed by a friend.

**Director Kilburn** stated that the boundaries of the property are questionable and recommended that 1) the District pay for a survey to be done by a surveyor hired by the District and 2) the District bring a water supply to the property noting that this is District property and it should be protected.

**Director Griffith** noted that the survey Mr. Hamilton had proposed for \$1000 would not have been a recorded survey. He reported that he had talked with Western States Surveyors who estimated the cost at about \$1800, and stated that they were familiar with the property and knew approximately where the property points were located.

**Director Eldridge** questioned as to the type of survey that would be done and the **General Manager** replied that he and the Facilities Supervisor thought that iron pins should be driven in the ground so that all corners of the property would be permanently located. He noted that he had made three recommendations in the written Board Report for the Board's consideration-

1) A survey of the site be done by the District; 2) Water service be provided by the District and 3) A Landscape License Agreement be signed by Mr. Hamilton.

**Director Barkhurst** proposed that the District have a recordable survey done and that if the cost is more than \$2000 then the General Manager should contact the Board for further instructions. He further recommended that water be brought to the property via a temporary system that would eventually be permanent so that Mr. Hamilton would be able to plant his proposed garden on the property now. He noted that it was his understanding that Mr. Hamilton would pay for the water and one space was to be available for parking.

MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS OF THE  
KINNELOA IRRIGATION DISTRICT  
MARCH 19, 2013

Page 2

**REVIEW OF BROWN WELL LANDSCAPING REQUEST (continued):**

**Director Kilburn** stated that she did not think there was a need for a parking space on the site because the staff is not there on a regular basis and there is enough space to park on the street.

**Director Griffith** suggested that if both the survey and the water service are provided by the District then the District should also work with the Mr. Wong, the neighbor to the west of the property, since he had some suggestions as to what he wished to do along the west side and out on the street. He recommended that the Board work with both Mr. Wong and Mr. Hamilton.

It was M/S-Barkhurst/Eldridge –“That the Board approve 1) spending an amount up to \$2000 for a recordable survey, 2) accepting Mike Hamilton’s original proposal, and 3) installing a water line with a meter as quickly as possible to the site”.

**Director Sorell** requested that he would like to separate the first and third items from the second as those involve financial decisions and that a vote on the second item be taken separately.

**Director Barkhurst** then amended his motion.

It was M/S/C - (Barkhurst/Griffith-5/0) –

**“That the Board approve the spending of an amount up to \$2000 for a recordable survey of the Brown Well site and the installation of a water line with a meter as quickly as possible on the Brown Well site.”**

**Director Griffith** stated that he thought the District would benefit by working with both Mr. Wong’s and Mr. Hamilton’s suggestions for the Brown Well site.

It was M/S/C - (Barkhurst/Eldridge-3/1/0) (Director Griffith voted No, Director Sorell abstained) –

**“That the Board accept Mike Hamilton’s written proposal subject to an appropriate Landscaping agreement signed by both Mr. Hamilton and the District with the said Agreement to be drafted in the very near future”.**

The **General Manager** stated that two of the Board Members had already reviewed the draft agreement and made a number of suggestions and those would be included in the draft agreement presented to Mr. Hamilton.

**GENERAL MANAGER’S COMPENSATION:**

**Director Griffith** made a motion that there be no increase in compensation based on the cost of the current projects. There was no second to the motion.

**Director Barkhurst** explained that these decisions are arrived at in a variety of different ways by different organizations but that the District has a unique challenge in that there is no other water district in the State of California that operates similar to the KID. He noted that the KID is self-sufficient on water source, is very small- 600 customers, has six employees-5 of who are long term and only a very small part of the budget that is discretionary. He noted that there were other factors that make it difficult to make comparisons to other salary surveys and then enumerated other factors that need to be considered to determine if a salary is proper. He stated that he thought \$120,000 was a fair and appropriate salary for the General Manager of a public agency the size of this District.

**Director Griffith** stated that he had reviewed a number of salary surveys for special districts and water districts and believes that this District is the smallest water district and the smallest special district except for the Pasadena Glen which puts this district at the bottom.

**MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS OF THE  
KINNELOA IRRIGATION DISTRICT  
MARCH 19, 2013**

**Page 3**

**GENERAL MANAGER'S COMPENSATION (continued):**

The Board then debated about 1) Those skills that are required for the General Manager  
2) Comparisons to other agencies and 3) What is a fair and equitable salary.

**Director Barkhurst** stated that he thought the General Manager, Mel Matthews, had done an overall very nice job employing his skills into the management of the District in the year of 2012 and that he is deserving of a performance bonus of \$2500.

**Director Griffith** stated that, based on the discussions held during the review, he would prefer that the compensation be left at the current status.

It was M/S/C - (Barkhurst/Eldridge-4/1) (Director Griffith voted No) –

**“That the Board approved a bonus of \$2500 be given to the General Manager”.**

**GENERAL MANAGER'S REPORT:**

The **General Manager** reviewed his written report as provided in the Board Packet.

**Director Eldridge** suggested that the reports on the District Assets be compiled into one file.

**REVIEW OF MINUTES:**

The minutes of February 19, 2013 were reviewed and approved for filing.

The minutes of March 6, 2013 were reviewed and approved for filing.

**REVIEW OF FINANCIAL REPORTS:**

The reports for February 28, 2013 were reviewed and accepted for filing as presented.

**Director Barkhurst** stated that he had encouraged the General Manager to use EFT to pay bills for recurring expenses so as to reduce the number of checks that need to be written. However in order to follow the KID Rules and Regulations, maintain proper checks and balances, and keep the outside auditor happy, it would be appropriate in the future for all new EFTs to be approved in advance by two Board Members. Those billings that are currently paid by EFT are already approved.

**Director Griffith** suggested that a list of those approved EFTs should be available to those members signing checks and that this list be reviewed occasionally. The **General Manager** replied that this could be done.

**ITEMS FOR NEXT AGENDA:**

Review 2012 Audit

Brown Well Landscape Design

Review current COLA rate

Review of the Kinneloa Ridge Asset and the Special Fund

**ADJOURNMENT:**

The meeting was adjourned at 2055 hours. The next meeting will be on April 16, 2013 at 7:30 P.M.

Respectfully submitted,

Shirley Burt  
Secretary to the Board





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 TELEPHONE (626) 797-6295 • FAX (626) 794-5552  
 WEBSITE: kinneloairrigationdistrict.info

# Memo

Date: April 12, 2013  
 To: Board of Directors  
 From: Mel Matthews  
 Subject: Financial Review for March 2013

**Total Revenues** were \$120,178.36 with retail water sales of \$108,588.14 substantially exceeding the budgeted amount of \$70,000.00. Deliveries of wholesale water to Pasadena were suspended part way through the month due to our increased customer demand because of the lack of rain during the month. Consequently, the wholesale revenue of \$10,641.79 was less than the budgeted amount of \$30,000.00. Overall revenues for the year to date are \$9,844.40 above the budgeted amount of 277,499.98. **Total Expenses** were \$79,791.19 which is \$1,953.79 less than the budgeted amount of \$81,744.98. Some of the specific accounts that were significantly different than the budgeted amounts are as follows:

GL Acct.	Description	Actual	Budgeted	Difference	Comments
4000	Water Sales	108,588.14	70,000.00	38,588.14	Increased customer demand due to lack of rain
4015	Wholesale Water	10,641.79	30,000.00	-19,358.21	Deliveries suspended part way through month
5005	Electricity	9,547.15	5,900.00	3,647.15	Maximized K-3 pumping for retail and wholesale water sales
5016	O & M Overtime	1,240.43	833.33	407.10	Power outage and month-end readings falling on the weekend
5036	Fuel- All Equipment	2,468.82	1,250.00	1,218.82	Purchased diesel for standby pumps and generators
1509	Wilcox Well	10,544.16	0.00	10,544.16	\$5,000 previously budgeted -- Additional work was required
1527	SCADA Equipment	12,275.88	1,250.00	11,025.88	Specific project is within approved amount -Budget timing issue only

**Net Income** was \$40,387.17 as compared to a budgeted amount of \$19,421.68 which is a favorable result. Although an overall comparison of **Other Expenditures** to the budget is not meaningful this early in the year, most projects that have been completed or are currently underway are tracking close to the budgeted amounts except for the Wilcox Well repair as described above. Project timing issues also make a comparison to budget difficult. Overall spending year to date of \$98,219.15 is substantially less than the budgeted amount of \$176,050.00.

Total cash in our checking and reserve accounts, including \$250,000.00 in board-designated funds, is \$804,618.91 as of January 31, 2013. The anticipated budgeted projects for 2013 are \$256,681.00 and are being funded out of these cash reserves.

**Kinneloa Irrigation District**  
**Income Statement for the Three Months Ending March 31, 2013**

	Current Month Actual	Current Month Budget	Year to Date Actual	Year to Date Budget
<b>Revenues</b>				
4000 Water Sales	108,588.14	70,000.00	253,346.36	214,000.00
4015 Wholesale Water Sales	10,641.79	30,000.00	30,220.27	60,000.00
4020 Service/Installation Charges	645.87	833.33	2,799.10	2,499.99
4035 Interest-Reserve Fund	302.56	333.33	979.16	999.99
<b>Total Revenues</b>	<b>120,178.36</b>	<b>101,166.66</b>	<b>287,344.89</b>	<b>277,499.98</b>
<b>Expenses</b>				
5005 Electricity	9,547.15	5,900.00	23,191.80	17,700.00
5010 Maintenance Supplies	1,822.08	1,666.67	9,118.46	5,000.01
5011 Material and Labor for Install	0.00	833.33	0.00	2,499.99
5012 Safety Equipment	0.00	133.33	571.77	399.99
5015 Operations & Maintenance Labor	11,261.98	12,916.67	34,489.82	38,750.01
5016 Operations & Maintenance OT	1,240.43	833.33	3,805.51	2,499.99
5020 Stand-by Compensation	510.00	625.00	1,800.00	1,875.00
5022 Training/Certification	30.00	133.33	30.00	399.99
5025 Water Treatment/Analysis	1,146.65	1,833.33	4,619.20	5,499.99
5030 Maintenance Contractors	4,248.18	10,416.67	376.96	31,250.01
5034 Equipment Maintenance	0.00	833.33	798.61	2,499.99
5035 Vehicle Maintenance	0.00	500.00	159.51	1,500.00
5036 Fuel - All Equipment	2,468.82	1,250.00	4,082.05	3,750.00
5045 Insurance-Workers Compensation	2,677.00	3,000.00	(3,698.67)	3,000.00
5046 Insurance-Liability	1,249.00	1,833.33	168.62	5,499.99
5048 Insurance-Property	184.00	208.33	(231.13)	624.99
5049 Insurance-Medical	5,510.44	3,833.33	16,531.32	11,499.99
6000 Engineering Services	1,045.00	3,750.00	1,805.00	11,250.00
6005 Watermaster Services	878.42	1,000.00	1,819.43	3,000.00
6015 Administrative Salary	10,214.50	10,833.33	30,643.50	32,499.99
6016 Administrative Bonus	2,500.00	0.00	2,500.00	0.00
6017 Administrative Travel	65.48	416.67	389.44	1,250.01
6020 BofD Compensation	400.00	800.00	1,100.00	1,600.00
6021 Administrative & Board Expense	28.96	208.33	63.86	624.99
6024 Customer/Public Info. Prog.	0.00	250.00	0.00	750.00
6025 PERS - KID	1,310.44	1,250.00	3,965.02	3,750.00
6030 Social Security - KID	2,476.93	2,416.67	7,146.72	7,250.01
6035 Office/Computer Supplies	547.71	750.00	1,237.47	2,250.00
6036 Postage/Delivery	324.52	500.00	490.11	1,500.00
6040 Professional Dues	574.25	625.00	1,722.75	1,875.00
6045 Legal Services	499.85	1,250.00	499.85	3,750.00
6050 Telephone	296.68	333.33	1,259.60	999.99
6051 Mobile Telephone	150.32	166.67	523.27	500.01
6052 Pagers	19.00	20.00	57.00	60.00
6053 Internet Service	84.94	125.00	380.80	375.00
6059 Computer/Software Maintenance	0.00	750.00	120.92	2,250.00
6061 Office Equipment Maintenance	0.00	83.33	0.00	249.99
6065 Accounting Services	4,000.00	0.00	4,000.00	6,000.00
6070 Office & Accounting Labor	6,251.41	6,500.00	19,082.63	19,500.00
6075 Outside Services	708.26	1,666.67	2,708.12	5,000.01
6080 Administrative Fees	579.44	583.33	1,436.46	1,749.99
6081 Permits/Fees	4,636.78	416.67	5,210.78	1,250.01
6120 Bank Service Charges	302.57	300.00	980.80	900.00
<b>Total Expenses</b>	<b>79,791.19</b>	<b>81,744.98</b>	<b>184,957.36</b>	<b>244,434.94</b>
<b>Net Income</b>	<b>40,387.17</b>	<b>19,421.68</b>	<b>102,387.53</b>	<b>33,065.04</b>

**Kinneloa Irrigation District**  
**Income Statement for the Three Months Ending March 31, 2013**

	Current Month Actual	Current Month Budget	Year to Date Actual	Year to Date Budget
<b>Other Expenditures</b>				
1504 Water Mains	4,967.70	0.00	4,967.70	80,000.00
1509 Wilcox Well/Wilcox Booster	10,544.16	0.00	10,544.16	5,000.00
1511 WaterTreatment Plant	0.00	0.00	5,779.48	5,400.00
1512 Water Meters	0.00	1,800.00	20,440.37	15,800.00
1513 Electrical/Electronic Equip.	0.00	2,083.33	0.00	6,249.99
1514 Computer/Office Equipment	0.00	416.67	0.00	1,250.01
1516 Water Company Facilities	0.00	1,000.00	0.00	3,000.00
1522 Eucalyptus Booster Station	0.00	0.00	32,053.67	30,000.00
1526 Vosburg Booster	0.00	0.00	8,349.00	25,000.00
1527 SCADA Equipment	12,275.88	1,250.00	16,084.77	3,750.00
1530 Tools	0.00	200.00	0.00	600.00
<b>Total Other Expenditures</b>	<b>27,787.74</b>	<b>6,750.00</b>	<b>98,219.15</b>	<b>176,050.00</b>
<b>Total Increase or (Drawdown)</b>	<b>12,599.43</b>	<b>12,671.68</b>	<b>4,168.38</b>	<b>(142,984.96)</b>

**Kinneloa Irrigation District**  
**Balance Sheet**  
**March 31, 2013**

**ASSETS**

**Current Assets**

1010	Checking-Wells Fargo Bank	\$ 224,747.99
1012	Reserve Fund-LAIF	118,027.06
1014	Reserve Fund-CalTRUST	461,843.86
1015	Accr. Int./Price Adj.-CalTRUST	412.98
1016	Accrued Interest-LAIF	127.49
1100	Accts. Receivable-Water Sales	25,724.32
1102	Accts. Receiv.-Wholesale Water	19,578.48
1190	Allowance for Bad Debts	(771.48)
1200	Inventory	20,000.00
1340	Accrued Water Sales	113,203.18
1350	Prepaid Insurance	8,040.49
1360	Prepaid Expenses	5,225.23

Total Current Assets

996,159.60

**Property and Equipment**

1501	Water Rights	52,060.41
1503	Land Sites	96,700.08
1504	Water Mains	2,407,335.12
1505	Water Tunnels	705,985.75
1506	K-3 Well	82,848.37
1507	Improvement District #1	602,778.12
1508	Mountain Property	6,620.00
1509	Wilcox Well/Wilcox Booster	94,030.98
1510	Interconnections	14,203.27
1511	Water Treatment Plant	184,940.70
1512	Water Meters	74,728.23
1513	Electrical/Electronic Equip.	245,904.55
1514	Computer/Office Equipment	60,072.53
1515	Vehicles & Portable Equipment	222,084.16
1516	Water Company Facilities	60,079.20
1517	KID Office	54,202.92
1518	Shaw Ranch	280,789.92
1519	Dove Creek Project	487,383.87
1520	Glen Reservoir/Booster	24,190.86
1521	Kinneloa Ridge Project	690,492.58
1522	Eucalyptus Booster Station	532,342.43
1526	Vosburg Booster	29,394.00
1527	SCADA Equipment	221,619.04
1528	Tanks and Reservoirs	97,944.39
1529	Holly Tanks	181,113.76
1530	Tools	5,109.53
1600	Accum. Depreciation	(3,195,521.12)

Total Property and Equipment

4,319,433.65

Total Assets

\$ 5,315,593.25

**Kinneloa Irrigation District**  
**Balance Sheet**  
**March 31, 2013**

**LIABILITIES AND CAPITAL**

**Current Liabilities**

2000	Accounts Payable	\$ 49,544.85	
2272	Job Deposits	650.00	
2290	Accrued Vacation	15,931.70	
	Total Current Liabilities		66,126.55

**Long-Term Liabilities**

2400	Truck Loan Payable	18,979.47	
	Total Long-Term Liabilities		18,979.47
	Total Liabilities		85,106.02

**Capital**

3040	Fund Balance	5,126,947.39	
3900	Prior Year Adjustments	5,765.00	
	Net Income	97,774.84	
	Total Capital		5,230,487.23
	Total Liabilities & Capital	\$	5,315,593.25

**Kinneloa Irrigation District**  
**Statement of Cash Flow**  
**For the Three Months Ended March 31, 2013**

	Current Month	Year to Date
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 40,387.17	\$ 102,387.53
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
1100 Accts. Receivable-Water Sales	1,655.99	17,733.28
1102 Accts. Receiv.-Wholesale Water	(19,578.48)	(19,578.48)
1350 Prepaid Insurance	1,433.00	3,119.08
1360 Prepaid Expenses	1,739.67	5,219.01
2000 Accounts Payable	32,103.19	13,318.36
2272 Job Deposits	650.00	303.87
	<hr/>	<hr/>
Total Adjustments	18,003.37	20,115.12
	<hr/>	<hr/>
<b>Net Cash Provided by Operations</b>	<b>58,390.54</b>	<b>122,502.65</b>
	<hr/>	<hr/>
<b>Cash Flows from Investing Activities</b>		
<i>Used for</i>		
1504 Water Mains	(4,967.70)	(4,967.70)
1509 Wilcox Well/Wilcox Booster	(10,544.16)	(10,544.16)
1511 Water Treatment Plant	0.00	(5,779.48)
1512 Water Meters	0.00	(20,440.37)
1522 Eucalyptus Booster Station	0.00	(32,053.67)
1526 Vosburg Booster	0.00	(8,349.00)
1527 SCADA Equipment	(12,275.88)	(16,084.77)
	<hr/>	<hr/>
Net Cash Used in Investing	(27,787.74)	(98,219.15)
	<hr/>	<hr/>
<b>Cash Flows from Financing Activities</b>		
<i>Proceeds from</i>		
<i>Used for</i>		
	<hr/>	<hr/>
Net Cash Used in Financing	0.00	0.00
	<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 30,602.80</b>	<b>\$ 24,283.50</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Summary</b>		
Cash Balance at End of Period	\$ 918,362.56	\$ 918,362.56
Cash Balance at Beg. of Period	(887,759.76)	(894,079.06)
	<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 30,602.80</b>	<b>\$ 24,283.50</b>
	<hr/> <hr/>	<hr/> <hr/>

**Kinneloa Irrigation District**  
**Check Register**  
For the Period from March 1, 2013 to March 31, 2013

<b>Date</b>	<b>Check #</b>	<b>Payee</b>	<b>Amount</b>	<b>Description</b>
3/6/13	7240	ACWA/JPIA	2,160.00	property insurance 4/1/2013-4/1/2014
3/6/13	7241	Bernadette Allen	23.28	Feb. mileage; parking reimb. CalPERs Class 2/5/13
3/6/13	7242	Cook Paging, Inc.	19.00	pagers
3/6/13	7243	Eurofins Eaton Analytical, Inc.	118.80	water sample analysis
3/6/13	7244	Melvin L. Matthews	83.87	Feb. mileage; Sacramento CSDA mtg. reimb.
3/6/13	7245	McMaster Carr	361.36	K-3 Cl2; flo-loc; storage; maint. supplies/tool
3/6/13	7246	Monrovia Mailing Company	376.16	Jan. statement mail handling and postage
3/6/13	7247	Specialty Services	275.00	janitorial service
3/6/13	7248	Utility Service Co., Inc.	3,763.82	tank maintenance agreement
3/6/13	7249	Western Water Works	380.85	Sage Tank spare and repair parts for butterfly valve
3/6/13	EFT1701	AT&T	64.38	SCADA data line
3/6/13	EFT1702	Athens Services	149.30	trash pick up
3/6/13	EFT1703	Calif. Public Emp. Ret. Sys	2,753.43	CalPERS - Feb. KID and employee
3/6/13	EFT1704	Pasadena Municipal Services	1,805.06	electricity
3/6/13	EFT1705	Southern California Edison Co.	6,599.63	electricity
3/6/13	EFT1706	Verizon Wireless	222.83	mobile phone
3/15/13	EFT1707	Bernadette C. Allen	892.92	salary
3/15/13	EFT1708	Christopher A. Burt	2,262.50	salary
3/15/13	EFT1709	Shirley L. Burt	1,426.52	salary
3/15/13	EFT1710	Melvin L. Matthews	3,256.13	salary
3/15/13	65426921	Brian L. Fry	1,374.71	salary
3/15/13	65426922	Felix Galindo	280.37	salary
3/15/13	65426923	Chris J. Mellinger	468.04	salary
3/15/13	EFT1711	Christopher A. Burt	150.00	salary
3/15/13	EFT1712	Automatic Data Processing	61.14	payroll processing
3/15/13	EFT1713	Automatic Data Processing	4,696.27	withholding and taxes
3/19/13	7250	ACWA/JPIA	6,518.62	health ins. - KID/employee
3/19/13	7251	A&B Electric	173.50	Wilcox Well airline repair 2/11/13
3/19/13	7252	ACWA/JPIA	30.00	training course 0052 HRG, Matthews & Allen
3/19/13	7253	AmeriPride Services	52.84	shop towel service
3/19/13	7254	South Coast AQMD	4,349.78	permit for caterpillars #225 and #230
3/19/13	7255	Byrd Industrial Electronics	484.36	SCADA maint. Wilcox boosters and Brown Res.
3/19/13	7256	Civiltec Engineering, Inc.	1,045.00	Vosburg booster pump station replacement
3/19/13	7257	Clinical Laboratory, SB	24.00	water sample analysis
3/19/13	7258	Denram Products	115.00	#10 window envelopes
3/19/13	7259	Foothill Mun. Water District	579.44	administrative fee
3/19/13	7260	Southern Counties Oil	1,616.16	diesel for generators and pumps
3/19/13	7261	McCall's Meter Sales & Serv.	580.26	water meter pulse rate cards, bonnet lids, bonnets
3/19/13	7262	McMaster Carr	292.43	sage boosters, cl2, maintenance supplies
3/19/13	7263	Monrovia Mailing Company	377.64	Feb. statement mail handling and postage
3/19/13	7264	Shirley Burt	67.57	mileage reimbursement
3/19/13	7265	Eurofins Eaton Analytical, Inc.	184.80	water sample analysis



**Kinneloa Irrigation District**  
**Check Register**  
For the Period from March 1, 2013 to March 31, 2013

<b>Date</b>	<b>Check #</b>	<b>Payee</b>	<b>Amount</b>	<b>Description</b>
3/19/13	7266	Western Water Works	866.00	butterfly valves repair parts Holly Tanks
3/19/13	EFT1714	Century Business Solutions	15.00	monthly banking service fee
3/19/13	EFT1715	Arco Gaspro Plus	852.66	truck gas
3/19/13	EFT1716	Bank of America Bus. Card	1,825.69	see attached schedule - January 2013
3/19/13	EFT1717	Century Business Solutions	50.97	banking service fee
3/19/13	7267	Estate of Renata Howard	176.02	overpayment refund on closed account
3/31/13	EFT1718	Bernadette C. Allen	816.04	salary
3/31/13	EFT1719	Richard L. Barkhurst	92.35	salary
3/31/13	EFT1720	Christopher A. Burt	2,184.34	salary
3/31/13	EFT1721	Shirley L. Burt	1,322.85	salary
3/31/13	EFT1722	Francis J. Griffith	92.35	salary
3/31/13	EFT1723	Gerrie G. Kilburn	92.35	salary
3/31/13	EFT1724	Melvin L. Matthews	4,668.79	salary
3/31/13	EFT1725	Steven G. Sorell	57.35	salary
3/31/13	65437026	Brian L. Fry	1,488.42	salary
3/31/13	65437027	Felix Galindo	216.66	salary
3/31/13	65437028	Chris J. Mellinger	401.16	salary
3/31/13	EFT1726	Christopher A. Burt	150.00	salary
3/31/13	EFT1727	Automatic Data Processing	77.70	payroll processing
3/31/13	EFT1728	Automatic Data Processing	5,940.31	withholding and taxes
3/31/13	EFT1729	Charter Communications	333.76	internet and telephone
3/31/13	EFT1730	Earthlink Network	4.95	internet service
	<b>Total</b>		<b><u>72,242.49</u></b>	

**Credit Card Detail  
January 2013**

(Expenses incurred in January, billed in February, due in March, and paid in March.)

<b>Acct. No.</b>	<b>Account Description</b>	<b>Additional Description</b>	<b>Shirley</b>	<b>Mel</b>	<b>Brian</b>	<b>Chris B</b>	<b>Chris M</b>	<b>TOTAL</b>
5010	Maintenance Supplies	yard, hydrant, maint. supplies; tools; batteries*			\$53.36	\$897.46	29.93	\$980.75
5012	Safety Equipment	12 traffic cones; 8 cone collars				\$434.77		\$434.77
5022	Training/Certification							\$0.00
5025	Water Treatment/Analysis	chlorine			\$15.47			\$15.47
5035	Vehicle Maintenance	2008 truck maintenance			\$159.51			\$159.51
5036	Fuel							\$0.00
6017	Adm. Travel							\$0.00
6021	Adm. & Bd. Exp							\$0.00
6035	Office/Computer Supplies	office supplies	\$36.27					\$36.27
6036	Postage/Delivery							\$0.00
6040	Professional Dues							\$0.00
6050	Telephone	answering service January		\$78.00				\$78.00
6051	Mobile Phone							\$0.00
6053	Internet Service							\$0.00
6059	Computer/Software Maintenance	NoClone 1 yr renewal; Todo backup software		\$120.92				\$120.92
6061	Office Equipment Maintenance							\$0.00
6075	Outside Services							\$0.00
6081	Permits/Fees							\$0.00
<b>TOTAL</b>			\$36.27	\$198.92	\$228.34	\$1,332.23	\$29.93	\$1,825.69

\* includes cost of new batteries and refund for recycled batteries