

KINNELOA IRRIGATION DISTRICT
REGULAR MEETING – BOARD OF DIRECTORS
1999 KINCLAIR DRIVE, PASADENA, CA 91107
TUESDAY – APRIL 17, 2012
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. DISCUSSION AND APPROVAL OF 2011 AUDIT**

- 4. DISCUSSION AND APPROVAL OF JPIA/HBA MERGER**

- 5. REVIEW GENERAL MANAGER’S REPORT**

- 6. REVIEW MINUTES** – March 20, 2012

- 7. REVIEW FINANCIAL REPORTS** – March 31, 2012

- 8. ITEMS FOR NEXT AGENDA**

- 9. CALENDAR** – May 23, 2012 (Adjourned from May 15, 2012)
June 19, 2012
July 17, 2012

- 10. 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, 2011 AND 2010**

AND INDEPENDENT AUDITORS' REPORT

DRAFT

KINNELOA IRRIGATION DISTRICT
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DECEMBER 31, 2011 AND 2010

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KINNELOA IRRIGATION DISTRICT
BOARD OF DIRECTORS AND DISTRICT MANAGEMENT PERSONNEL
DECEMBER 31, 2011 AND 2010

BOARD OF DIRECTORS

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

MANAGEMENT PERSONNEL

Melvin L. Matthews	General Manager
Shirley Burt	Administrative Assistant

KINNELOA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010

Our 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, 2011. 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 14.6% to \$1,294,047 as compared to 2010 operating revenues of \$1,129,630. The increase is primarily due to wholesale water sales to the City of Pasadena.
- Total operating expenses including depreciation increased by 6.4% to \$1,142,414 as compared to 2010 operating expenses of \$1,073,820. The increase is primarily due to higher expenses for maintenance labor and the maintenance 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 602 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 wells and five water tunnels. 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.

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

KINNELOA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010

CONDENSED FINANCIAL INFORMATION

The following condensed financial information provides an overview of the District's financial activities for the year ended December 31, 2011 and 2010.

NET ASSETS

	<u>2011</u>	<u>2010</u>
Capital assets, net	\$4,434,303	\$3,855,320
Other assets, net	<u>567,695</u>	<u>1,033,788</u>
Total assets	<u>5,001,998</u>	<u>4,889,108</u>
Other liabilities	<u>71,157</u>	<u>111,457</u>
Total liabilities	<u>71,157</u>	<u>111,457</u>
Invested in capital assets, net of debt	4,434,303	3,855,320
Unrestricted	<u>496,538</u>	<u>922,331</u>
Total net assets	<u><u>\$4,930,841</u></u>	<u><u>\$4,777,651</u></u>

Capital and other assets – The change in capital and other assets is net of an increase in capital assets primarily due to a major capital improvement project located at Sierra Madre Villa Avenue and Windover Road.

Net assets – Unrestricted net assets decreased from the prior year due to the expenditures for the Sierra Madre Villa and Windover Road pipeline replacement project. Part of the decrease was offset with the net operating surplus for 2011. 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, 2011 AND 2010

CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
Total operating revenues	\$ 1,294,047	1,129,630
Total non-operating revenues	<u>4,141</u>	<u>6,557</u>
Total revenues	1,298,188	1,136,187
Total operating expenses	<u>1,142,414</u>	<u>1,073,820</u>
Total non-operating expenses	<u>2,584</u>	<u>3,368</u>
Total expenses	<u>1,144,998</u>	<u>1,077,188</u>
Change in net assets	153,190	58,999
Net assets, beginning of year	<u>4,777,651</u>	<u>4,718,652</u>
Net assets, end of year	<u>\$ 4,930,841</u>	<u>4,777,651</u>

Revenues – Retail water sales by volume increased 4% to 615 acre-feet as compared to 590 acre-feet in 2010 and total operating revenue including the revenue from wholesale water sales increased by 14.6%.

The District also received \$4,141 in non-operating revenue from interest on its investments. The District's temporary investments at year end were \$393,292 and \$858,281 in 2011 and 2010, respectively. The decrease is attributed to the greater expenditures for capital improvement projects in 2011 as compared to 2010.

Expenses – The District's operating and maintenance expenses increased by \$34,308 in 2011 as compared to 2010. The increase is due primarily to greater expenditures for maintenance and repair. The District's general and administrative expenses increased by \$12,720, primarily due to increases in outside services, the District's CalPERS contribution, permits and operational fees, telephone and general office expenses.

BUDGET ANALYSIS AND VARIANCES

Revenue from retail and wholesale water sales for 2011 was \$1,294,047 as compared to the budgeted amount of \$1,162,250. 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. Although revenue from wholesale water sales was not budgeted for 2011 since this source of revenue is considered discretionary and not predictable, the actual revenue allowed the District to exceed its overall revenue goal for 2011.

KINNELOA IRRIGATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2011 AND 2010

BUDGET ANALYSIS AND VARIANCES, (continued)

Overall, for 2011, the net revenue surplus before depreciation was \$409,530, as compared to the budgeted amount of \$262,310. Capital and planned maintenance projects in the amount of \$852,622 were completed as compared to the budgeted amount of \$435,681. A portion of the budgeted amount not spent in 2010 was carried over to the pipeline project completed in 2011. The cash reserve at year end was \$393,292 as compared with the 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 2011, the major projects and equipment purchases included: construction of a pipeline project; purchase and installation of a variable frequency drive motor controller at a well site; purchase of replacement water meters; rebuilding of a booster pump; removal and reinstallation of a well pump; facility maintenance; electrical upgrades at several facilities; and improvements to our data acquisition and control system.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At December 31, 2011 and 2010, the District had investments in land, buildings, wells and distribution systems, machinery and equipment, and construction in progress as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 96,700	96,700
Water rights	52,060	52,060
Buildings, wells and distribution system	6,525,057	5,725,081
Machinery and equipment	716,128	655,489
Construction in progress	-	17,075
Totals	\$ 7,389,945	6,546,405

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 2.7% for the 12 months ended December 2011.

KINNELOA IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011 AND 2010

- The general economic picture in 2012 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 our service area. However, because water service is a basic necessity, these conditions would only lead to increased emphasis on conservation. This is consistent with our consumer message as we strive to meet an expected 30% reduction in our ground water supply by July 2014 and achieve the "20% by 2020" water-use reduction mandate by the State of California.
- In order to rebuild our reserves to the target level, the Board of Directors has approved a budget for 2012 that maintains the net operating surplus at approximately the same level as 2011 and reduces expenditures for capital improvement and maintenance projects. Current rates will be maintained for 2011, but the Board will need to consider rate increases if necessary to complete high-priority capital and planned maintenance projects in the future.
- Weather will continue to play a significant role in determining retail water sales for 2012. Fortunately, we may continue to 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 2012. The District also has the flexibility to adjust expenditures for capital improvements and planned maintenance if necessary to meet the overall budget objectives for 2012.

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.
WOODLAND HILLS, CALIFORNIA 91364
(877) EGAN 4 US EGANEGAN.COM

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, 2011 and 2010, 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, 2011 and 2010 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, 2011 and 2010 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.

March __, 2012

**KINNELOA IRRIGATION DISTRICT
BALANCE SHEETS
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 143,292	608,281
Cash, restricted as to use	250,000	250,000
Receivables		
Water sales, net of allowance for doubtful accounts	118,887	97,904
Other receivables	13,084	28,872
Prepaid expenses	22,432	28,731
Materials and supplies	<u>20,000</u>	<u>20,000</u>
Total current assets	567,695	1,033,788
Capital assets, net of accumulated depreciation	<u>4,434,303</u>	<u>3,855,320</u>
TOTAL ASSETS	<u>\$ 5,001,998</u>	<u>4,889,108</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of lease payable	\$ 18,118	17,297
Accounts payable and accrued expenses	17,664	22,894
Accrued payroll and payroll taxes	13,895	10,818
Customer deposits	<u>2,500</u>	<u>23,350</u>
Total current liabilities	52,177	74,359
Lease obligation, net of current portion	<u>18,980</u>	<u>37,098</u>
Total liabilities	71,157	111,457
Net assets		
Invested in capital assets, net of related debt	4,434,303	3,855,320
Unrestricted	<u>496,538</u>	<u>922,331</u>
Total net assets	<u>4,930,841</u>	<u>4,777,651</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,001,998</u>	<u>4,889,108</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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Operating revenues		
Water sales and service fees	\$ <u>1,294,047</u>	<u>1,129,630</u>
Operating expenses		
Operating and maintenance	592,067	555,381
Administration and general	288,239	269,810
Depreciation	<u>262,108</u>	<u>248,629</u>
Total operating expenses	<u>1,142,414</u>	<u>1,073,820</u>
Operating income	<u>151,633</u>	<u>55,810</u>
Non-operating revenues (expenses)		
Interest	4,141	6,557
Interest expense	<u>(2,584)</u>	<u>(3,368)</u>
Total non-operating revenue	<u>1,557</u>	<u>3,189</u>
Change in net assets	153,190	58,999
Net assets, beginning of year	<u>4,777,651</u>	<u>4,718,652</u>
Net assets, end of year	<u>\$ <u>4,930,841</u></u>	<u><u>4,777,651</u></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, 2011 AND 2010**

Cash flows from operating activities:	<u>2011</u>	<u>2010</u>
Cash received from customers	\$ 1,288,852	1,149,922
Cash payments to employees for services	(329,895)	(336,504)
Cash payments for services and goods	<u>(546,265)</u>	<u>(488,068)</u>
Net cash provided by operating activities	<u>412,692</u>	<u>325,350</u>
 Cash flows from capital and related financing		
Cash paid for construction and acquisition of capital	(841,091)	(127,802)
Principal paid on lease obligation	(17,297)	(16,513)
Customer deposits	<u>(20,850)</u>	<u>1,253</u>
Cash used by capital and related financing activities	<u>(879,238)</u>	<u>(143,062)</u>
 Cash flows from investing activities:		
Interest received	4,141	6,557
Interest paid	<u>(2,584)</u>	<u>(3,368)</u>
Cash provided by investing activities	<u>1,557</u>	<u>3,189</u>
Net increase in cash and cash equivalents	(464,989)	185,477
Cash and temporary investments, beginning of the year	<u>858,281</u>	<u>672,804</u>
Cash and temporary investments, end of the year	<u>\$ 393,292</u>	<u>858,281</u>
 SUMMARY OF BALANCE SHEET CASH and CASH EQUIVALENTS		
Cash	\$ 143,292	608,281
Temporary investments, restricted as to use	<u>250,000</u>	<u>250,000</u>
Total cash	<u>\$ 393,292</u>	<u>858,281</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, 2011 AND 2010**

Reconciliation of operating income to net cash operating activities:	<u>2011</u>	<u>2010</u>
Operating income	\$ 151,633	55,810
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	262,108	248,629
Decrease (increase) in receivables	(5,195)	20,292
Decrease (increase) in prepaid expenses	6,299	(1,826)
(Decrease) Increase in accounts payable and accrued expenses	<u>(2,153)</u>	<u>2,445</u>
Net cash provided by operating activities	<u>\$ 412,692</u>	<u>325,350</u>

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

KINNELOA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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, 2011, The Board of Directors were as follows:

<u>Name</u>	<u>Title</u>
Steven G. Sorell	Chairman
Richard Barkhurst	Treasurer
Frank J. Griffith	Secretary
Gerrie G. Kilburn	Director
Timothy Eldridge	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, 2011 AND 2010

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, 2011 AND 2010

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, 2011 AND 2010

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 2011 and 2010 cash and cash equivalents consist of:

	<u>2011</u>	<u>2010</u>
Insured with financial institutions	\$ 17,659	366,965
Local Agency Investment Fund ("LAIF")	117,498	236,522
Uninsured and uncollateralized	258,135	254,794
	<u>\$ 393,292</u>	<u>858,281</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.

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.

KINNELOA IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011 AND 2010

NOTE 3. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2011 and 2010 was as follows:

2011					
		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
2010					
		Balance January 1	Additions	Transfers	Balance December 31
Land	\$	96,700			96,700
Water rights		52,060			52,060
Buildings, wells and distribution system		5,684,435	40,646		5,725,081
Machinery and equipment		587,857	70,081		657,938
Construction in progress		-	17,075		17,075
		6,421,052	127,802		6,548,854
Less accumulated		(2,444,905)	(248,629)		(2,693,534)
Total capital assets	\$	3,976,147	(120,827)	0	3,855,320

KINNELOA IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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 located at 400 P Street, Sacramento, CA 95814.

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, 2011 and 2010, 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 4.711% for the year ended December 31, 2011. The District made contributions of \$13,076 and \$11,083 for the years ended December 31, 2011 and 2010, respectively. The District does not have a Net Pension Obligation.

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 (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 3.25%. 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, 2011 AND 2010

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:

<u>Dollars in 1,000; Zeros Omitted</u>						
<u>Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>PERS Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL as a % of Payroll</u>
03/30/10	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%
06/30/08	532,483	513,147	19,336	96.4% #	183,388	10.5%
06/30/07	498,935	479,521	19,414	96.1%	171,053	11.3%

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, 2011 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, 2011 AND 2010

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 affect on the District's financial condition.

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SUPPLEMENTARY INFORMATION

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KINNELOA IRRIGATION DISTRICT
SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating & Maintenance		
Power	\$ 89,764	89,876
Leased water rights	27,900	18,600
Labor	183,140	158,161
Engineering	13,953	16,486
Maintenance and repairs	31,437	60,203
Water analysis	19,542	17,521
Outside contractors	113,500	98,935
Truck maintenance and fuel	22,771	11,726
Insurance	71,277	59,364
Safety equipment	493	403
Water master	10,567	10,701
Capital improvement fees	(565)	6,746
Other	8,288	6,659
	<u>592,067</u>	<u>555,381</u>
	\$	

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Administrative and General		
Administrative salaries	\$ 120,053	120,053
Office labor	45,053	45,226
Payroll taxes	25,994	24,651
CalPERS retirement	13,076	11,083
Outside services	13,583	9,839
Legal fees	3,093	3,997
Professional dues	7,064	5,313
Board meetings	4,800	6,000
Office expense	24,662	18,953
Telephone	9,465	6,234
Accounting fees	6,200	6,200
Permits and operational fees	6,230	5,092
Information systems	8,966	7,169
	<u>288,239</u>	<u>269,810</u>
	\$	

HBA – ACWA/JPIA Transition

Frequently Asked Questions

What is being proposed?

The ACWA Health Benefits Authority (HBA) has proposed transitioning its operations and health benefits programs into the ACWA/Joint Powers Insurance Authority (ACWA/JPIA). HBA would be dissolved and all of the assets and liabilities would be transferred to ACWA/JPIA. All of HBA's existing programs and offerings would remain unchanged.

What are the benefits of this transition?

HBA and ACWA/JPIA share many of the same goals, including member service, promoting employee health, keeping costs down and creating value for members. Transitioning HBA into ACWA/JPIA will allow the two organizations to combine resources, reduce overall costs and improve operations. Potential cost savings would be passed on to all agencies that participate in programs offered by HBA and ACWA/JPIA. With more than two-thirds of the combined membership participating in both programs, the transition will also help eliminate confusion regarding the responsibilities of each.

What steps are needed to make the transition happen?

In order to proceed with the transition, HBA must secure the concurrence of 75% of HBA members within the 90-day window specified in HBA's bylaws. That must be achieved by July 1, 2012. The following steps must be taken to ensure a seamless transition and to retain the employee benefits currently provided by HBA:

1. Adopt a resolution. The board of directors of each HBA member agency must adopt a resolution consenting to join the Employee Benefits Program of the ACWA / Joint Powers Insurance Authority and ratifying the action by the HBA Board of Directors to terminate the Health Benefits Authority Joint Powers Agreement. The resolution should be placed on agencies' agendas as soon as possible.

2. Return the signed resolution. HBA is requesting the signed resolution by April 30, 2012, (or sooner) and no later than May 31, 2012. Resolutions should be mailed to:

ACWA HBA
4600 Northgate Blvd., Suite #100
Sacramento, CA 95834

What is the timeline for the transition?

- **April 1:** Start of the 90-day period in which at least 75% of the HBA membership provides written consent to dissolve
- **First week of April:** Information kit with required resolutions mailed to HBA members; HBA staff to follow-up with HBA members
- **April 18:** ACWA/JPIA and HBA staff will conduct a webinar at 10 a.m. for members to review information and ask questions
- **May 8:** ACWA/JPIA and HBA staff will conduct a seminar at 10 a.m. at the ACWA Spring Conference in Monterey
- **May-June:** Staff to follow-up with HBA members to send required resolutions to HBA
- **July 1:** Target date to complete transition

If approved, when will the change become effective?

If 75% of HBA membership approves, the transition becomes effective July 1, 2012.

What specific steps do the board of directors for each current HBA member need to take?

The governing board of each member agency needs to adopt the provided resolution and return to HBA by May 31, 2012. Sample resolutions are available on the transition website, www.hba-transition.com.

What if my district doesn't return the resolution?

Failure to return the signed resolution by June 29, 2012, may result in loss of coverage for district employees.

How will the potential cost savings for members be distributed among participating members?

While cost savings are expected, it is too early to say with specificity how the savings will be distributed to the membership. ACWA/JPIA will be monitoring all costs and potential savings and will determine the most effective way to pass them on to participating members. Information will be shared with members as it becomes available.

Will this change result in a cost or risk increase for ACWA/JPIA members?

No. Each program in the ACWA/JPIA is maintained and funded separately from the other programs. The Employee Benefits Program will operate as in the past and be a separate program.

Will this transition require a change to the current ACWA/JPIA structure, board composition or policies?

The only change to the ACWA/JPIA structure will be an increase in the number of board members to accommodate HBA members that are not currently ACWA/JPIA members. The Employee Benefits Program will be added to ACWA/JPIA's governing documents, and an Employee Benefits Committee will be added.

Why wasn't this option considered as part of the recent restructuring of HBA?

The economic environment combined with the unknown impact of the proposed national health care program has changed the business model. Many of the desired goals for future services and long-term savings are already being developed at ACWA/JPIA and, as such, can now be implemented simultaneously. Recent opportunities and immediate needs have developed at both organizations which, when combined, will make both organizations stronger.

Will HBA members have access to all ACWA/JPIA programs?

Yes, but they will have to apply for and be approved by the Executive Committee. Each program requires a separate application.

Does an agency still have to be an ACWA member to receive health benefits through this new arrangement with ACWA/JPIA?

Yes. An agency must be a member of ACWA to be eligible for all ACWA/JPIA programs and services, including health benefits.

How does this transition impact ACWA?

There will be no immediate impact on ACWA on July 1, 2012. ACWA will continue to work with both HBA and ACWA/JPIA to transition the services it now provides to HBA. For the longer-term, any financial issues arising from the merger between HBA and ACWA/JPIA will be incorporated into the process to develop ACWA's 2013 budget.

What happens to the HBA board of directors?

The HBA board of directors will cease to exist when the transition is complete.

If the change is not approved, what will be the course of action?

If written concurrence of at least 75% of the HBA membership has not been received by July 1, 2012, HBA will enter into an agreement for administrative services provided by ACWA/JPIA. The 90-day process to get 75% concurrence for the transition would begin again.

RESOLUTION NO. 2012-04-17

RESOLUTION CONSENTING TO JOIN THE HEALTH BENEFITS PROGRAM OF THE ACWA JOINT POWERS INSURANCE AUTHORITY, RATIFYING THE ACTION OF THE ACWA HEALTH BENEFITS AUTHORITY BOARD OF DIRECTORS TO TERMINATE THE HEALTH BENEFITS AUTHORITY JOINT POWERS AGREEMENT, AND AUTHORIZING AND DIRECTING THE KINNELOA IRRIGATION DISTRICT TO EXECUTE ALL NECESSARY DOCUMENTS

WHEREAS, this Agency entered into a joint exercise of powers agreement (“HBA Agreement”) with the Association of California Water Agencies Health Benefits Authority (“HBA”) in order to pool its purchasing needs with other public agencies desiring to provide their employees with comprehensive and economical health and welfare benefits; and

WHEREAS, this Agency entered into a Health Benefits Memorandum of Understanding (“MOU”) to enroll in specific health programs and ancillary programs (“Existing Employee Benefits Coverage”) offered by HBA and agreed to abide by: (1) the HBA Agreement; (2) all rules and procedures established by HBA in the administration of the Agency’s Existing Employee Benefits Coverage; and (3) all underwriting, eligibility, and contribution requirements in Appendix A to the MOU; and

WHEREAS, this Agency entered into a joint exercise of powers agreement (“JPIA Agreement”) with the Association of California Water Agencies Joint Powers Insurance Authority (“JPIA”) in order to pool its purchasing needs with other public agencies desiring to obtain comprehensive and economical public liability, workers’ compensation, unemployment, health, accident and/or dental, or property coverage; and

WHEREAS, JPIA is both qualified and authorized by the laws of the State of California to administer the Existing Employee Benefits Coverage to this Agency through JPIA’s Employee Benefits Program; and

WHEREAS, during a noticed special meeting held on February 6, 2012, the HBA Board of Directors unanimously voted to transfer all HBA operations and administrative functions to JPIA on or about July 1, 2012, and to pursue a merger of the two public agencies after which the HBA Agreement would be terminated; and

WHEREAS, pursuant to Article 22 of the HBA Agreement, the HBA Agreement may be terminated by the HBA Board of Directors subject to ratification by the written consent of three-fourths of the HBA Member agencies within 90 days of the HBA Board’s action, provided, however, that HBA and the HBA Agreement shall continue to exist for the purpose of concluding all functions necessary to wind up HBA’s affairs; and

WHEREAS, during a noticed regular meeting held on March 28, 2012, the HBA Board of Directors approved HBA Resolution 12-03-02: (1) electing to terminate the HBA Agreement pursuant to Article 22 of the HBA Agreement and, except as provided in clause 2 below, said termination shall become effective upon ratification by the written consent of three-fourths of the HBA member districts and agencies; (2) recognizing that pursuant to Article 22 of the HBA Agreement, HBA and the HBA Agreement shall continue to exist for the purpose of winding up and dissolving the business affairs of HBA, and acknowledge that the HBA Board of Directors is vested with all powers of HBA for doing the same; and (3) declaring that Resolution 12-03-02 shall take effect on April 1, 2012, thereby beginning the 90-day ratification period.

For use by agencies that are members of both HBA and JPIA

NOW, THEREFORE, BE IT RESOLVED that the Directors of KINNELOA IRRIGATION DISTRICT hereby:

1. Agree that the HBA Memorandum of Understanding referred to in the recitals above is incorporated in this resolution by reference.
2. Consent to join JPIA's Employee Benefits Program and acknowledge, represent, and agree that all terms and conditions of the HBA Memorandum of Understanding apply to the provision of this Agency's Existing Employee Benefits Coverage through JPIA.
3. Authorize and direct this Agency's DIRECTORS to cooperate fully with HBA and JPIA in the execution of any other documents and in the completion of any additional actions that may be necessary or appropriate for the purpose of ensuring that this Agency's Existing Employee Benefits Coverage continues without lapse through JPIA.
4. Ratify the action of the HBA Board of Directors to terminate the HBA Agreement, to be effective as provided in Article 22 of the HBA Agreement.
5. Direct the Secretary of the Board of this Agency to immediately send a certified copy of this resolution to: Association of California Water Agencies Health Benefits Authority, 4600 Northgate Blvd, Suite 100, Sacramento, California, 95834.

PASSED AND ADOPTED by the Directors of KINNELOA IRRIGATION DISTRICT this 17th day of APRIL, 2012, by the following vote: AYES _____ NAYS _____

President
GERRIE KILBURN

Attest by:
TIMOTHY ELDRIDGE, SECRETARY

General Manager's Report for the Board of Directors Meeting on April 17, 2012

I. Capital Improvement, Preventative Maintenance and Repair Projects

- A. K-3 chlorine generator – The reinstallation of the sodium hypochlorite generator is in progress.
- B. Tree trimming and brush clearance – Miller Tree Service is working at 13 sites to trim trees and clear brush for fire protection and improved access to our facilities.
- C. Reservoir screening – Perry Thomas Engineering, our maintenance contractor has finished installing 24 mesh screening of the vents of our reservoirs as required by the California Department of Public Health.
- D. Fire hydrant replacement – The damaged fire hydrant at the west end of Fairpoint Street was replaced and we provided better protection from future vehicular contact by installing new bollards.
- E. Water meter reinstallation – Two meters and meter boxes were reinstalled to replace damaged shutoff valves on our side of meter.

II. Customer Service and Office Operations

- A. Delinquent accounts –
 - 30 accounts received late charges
 - 12 accounts received door hanger shut off notice
 - 0 accounts were shut off for non-payment
 - 1 account remains off for non-payment
- B. New billing system training – The third onsite training was held on April 10th.

III. General Manager's Projects and Activities

- A. Billing system – The final data conversion has been successfully completed and we are now operating both systems in a parallel fashion until our readiness to fully rely on the new system for all billing, accounting and reporting functions.
- B. Audit – The final draft representing all requested changes will be presented at this meeting for approval with or without further changes as discussed at this meeting.
- C. CSDA – I participated in the Finance Committee meeting as well as the Audit Committee's review of the draft of the association's audited financial statement.
- D. FMWD – As a board member and member of the finance committee, I am participating in the 2012-2013 budget process. The draft budget has no significant physical or financial impact on the Kinneloa Irrigation District. The District's share of the administrative fees will be slightly reduced if the current draft is approved by the board. There is no capital improvement fee charged to the District in the draft budget.

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
MARCH 20, 2012**

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 1938 hours. She noted that there was a quorum present. The Agenda was unanimously approved as presented.

PUBLIC COMMENT: No members of the public wished to speak.

The General Manager introduced Bernadette Allen who has been hired as the part time Accounting Assistant and will be working four days a week from 8:00 A.M. to Noon.

REVIEW OF THE GENERAL MANAGER'S REPORT:

The General Manager's Report was accepted as written. The General Manager stated that he had several additional items to report.

Doyme Road Project: The property has closed escrow and the current plan is to develop the property into two lots and the driveways will enter off Doyme Road. All outstanding invoices from the previous owner were paid in full.

1995 Sierra Madre Villa: The property has closed escrow and the new owner intends to finish the construction of the building.

3337 Trevan Road: The outstanding invoices have been paid in full. Meter service to the property will be installed in the near future.

REVIEW OF MINUTES:

The minutes of February 29, 2012 were unanimously approved as submitted.

REVIEW OF FINANCIAL REPORTS:

Director Barkhurst reviewed the reports noting that the income is higher than budgeted for the second month of the year. He requested clarification regarding the overtime, questioning what projects or activities could not be done during normal working hours. The General Manager replied that the overtime included-1) the weekend facility check which is currently part of normal operations and 2) response to a power failure that occurred after hours.

Director Griffith questioned as to when the next Lead and Copper testing would need to be done and the **General Manager** replied that it would be in March.

Director Griffith noted that several of his neighbors would like to have their water tested and the **General Manager** replied that he had provided information as to where to get test kits in the billing insert and in a billing statement message.

Director Griffith questioned whether the customers had to pay for the test kits and the **General Manager** replied that a policy had been made that the customer would purchase the water test kits which cost about \$13 or arrange for outside laboratory tests and that the District would not do any customer water tests. The financial reports were accepted as presented.

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
MARCH 20, 2012**

Page 2

HBA TRANSITION INTO ACWA/JPIA

Director Griffith requested more information about the proposed transition between these two organizations and questioned whether the Kinneloa Board needed to take any action at this time and the **General Manager** explained that no action needs to be taken at this time.

ITEM FOR NEXT AGENDA:

Review of 2011 Audit if Auditor is available

ADJOURNMENT:

The meeting was adjourned at 2015 hours. The next meeting will be on April 17, 2012. Director Sorell stated that he will not be at the April 17th Board Meeting. Director Griffith stated that he will not be at the May 23rd Board Meeting.

Respectfully submitted,

Shirley Burt
Secretary to the Board

Kinneloa Irrigation District
Income Statement
For the Three Months Ending March 31, 2012

		Current Month Actual	Current Month Budget	Year to Date Actual	Year to Date Budget
Revenues					
4000	Water Sales	\$ 77,583.33	\$ 63,000.00	\$ 248,738.20	\$ 193,000.00
4015	Wholesale Water Sales	32,356.37	0.00	63,597.32	0.00
4020	Service Charges	502.54	833.33	2,596.87	2,499.99
4035	Interest-Reserve Fund	272.15	333.33	1,122.64	999.99
	Total Revenues	110,714.39	64,166.66	316,055.03	196,499.98
Expenses					
5005	Electricity	7,907.60	5,500.00	23,258.55	16,500.00
5010	Maintenance Supplies	4,453.75	2,500.00	8,725.29	7,500.00
5012	Safety Equipment	0.00	133.33	0.00	399.99
5015	Operations & Maintenance Labor	11,671.08	13,000.00	34,320.12	39,000.00
5016	Operations & Maintenance OT	646.50	0.00	1,848.00	0.00
5020	Stand-by Compensation	660.00	625.00	1,680.00	1,875.00
5022	Training/Certification	0.00	133.33	0.00	399.99
5025	Water Treatment/Analysis	237.25	1,833.33	4,594.81	5,499.99
5030	Maintenance Contractors	24,437.47	9,750.00	39,918.70	29,250.00
5034	Equipment Maintenance	2,108.31	500.00	3,318.43	1,500.00
5035	Vehicle Maintenance	17.38	500.00	266.94	1,500.00
5036	Fuel - All Equipment	925.21	1,250.00	2,542.09	3,750.00
5045	Insurance-Workers Compensation	(3,944.00)	3,000.00	(3,944.00)	3,000.00
5046	Insurance-Liability	875.50	1,833.33	3,192.50	5,499.99
5048	Insurance-Property	(216.19)	208.33	140.81	624.99
5049	Insurance-Medical	3,779.41	3,666.67	11,338.23	11,000.01
6000	Engineering Services	3,240.00	3,750.00	3,740.00	11,250.00
6005	Watermaster Services	878.92	1,000.00	2,636.76	3,000.00
6015	Administrative Salary	10,000.00	10,004.40	30,000.00	30,013.20
6016	Administrative Bonus	3,000.00	0.00	3,000.00	0.00
6017	Administrative Travel	720.52	416.67	1,211.52	1,250.01
6020	BofD Compensation	400.00	800.00	1,500.00	1,600.00
6021	Administrative & Board Expense	0.00	208.33	0.00	624.99
6022	BofD-Election	292.60	0.00	292.60	0.00
6024	Customer/Public Info. Prog.	150.60	333.33	295.30	999.99
6025	PERS - KID	1,144.00	1,166.67	3,406.43	3,500.01
6030	Social Security - KID	2,394.51	2,416.67	6,481.25	7,250.01
6035	Office/Computer Supplies	1,085.91	750.00	1,891.08	2,250.00
6036	Postage/Delivery	272.07	500.00	726.20	1,500.00
6040	Professional Dues	1,052.99	625.00	2,243.97	1,875.00
6045	Legal Services	563.75	1,250.00	563.75	3,750.00
6050	Telephone	347.70	458.33	1,202.75	1,374.99
6051	Mobile Telephone	184.17	208.33	561.62	624.99
6052	Pagers	19.00	20.00	57.00	60.00
6053	Internet Service	84.94	125.00	254.82	375.00
6059	Computer/Software Maintenance	0.00	833.33	6,677.42	19,499.99
6061	Office Equipment Maintenance	0.00	83.33	0.00	249.99
6065	Accounting Services	0.00	0.00	0.00	6,000.00
6070	Office Labor	4,923.20	4,000.00	12,374.24	12,000.00
6075	Outside Services	684.71	1,666.67	2,839.06	5,000.01
6080	Capital Improvement Fees	277.58	614.08	503.76	1,842.24
6081	Permits/Fees	6,371.76	208.33	6,551.76	624.99
6120	Bank Service Charges	256.89	250.00	755.91	750.00
	Total Expenses	91,905.09	76,121.79	220,967.67	244,565.37
	Net Income	18,809.30	(11,955.13)	95,087.36	(48,065.39)

Kinneloa Irrigation District
Income Statement
For the Three Months Ending March 31, 2012

		Current Month Actual	Current Month Budget	Year to Date Actual	Year to Date Budget
Other Expenditures					
1509	Wilcox Well/Wilcox Booster	0.00	0.00	0.00	7,500.00
1511	WaterTreatment Plant	0.00	0.00	5,243.90	5,400.00
1512	Trans. & Dist. Plant Meters	0.00	1,666.67	0.00	5,000.01
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	1,666.67	0.00	5,000.01
1527	SCADA Equipment	0.00	1,000.00	0.00	3,000.00
1530	Tools	0.00	200.00	760.03	600.00
Total Other Expenditures		0.00	7,033.34	6,003.93	34,000.02
Total Increase or (Drawdown)		\$ 18,809.30	\$ (18,988.47)	\$ 89,083.43	\$ (82,065.41)

Kinneloa Irrigation District
Balance Sheet
March 31, 2012

ASSETS

Current Assets

1010	Checking-Wells Fargo Bank	\$ 96,342.94
1012	Reserve Fund-LAIF	117,611.08
1014	Reserve Fund-CalTRUST	259,159.99
1015	Accr. Int./Price Adj.-CalTRUST	(15.15)
1016	Accrued Interest-LAIF	127.49
1100	Accts. Receivable-Water Sales	47,233.35
1102	Accts. Receiv.-Wholesale Water	32,356.37
1190	Allowance for Bad Debts	(771.48)
1200	Inventory	20,000.00
1340	Accrued Water Sales	73,218.41
1350	Prepaid Insurance	8,525.57
1360	Prepaid Expenses	7,618.43
		<hr/>
	Total Current Assets	661,407.00

Property and Equipment

1501	Water Rights	52,060.41
1503	Land Sites	96,700.08
1504	Water Mains	2,402,367.42
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	83,486.82
1510	Interconnections	14,203.27
1511	Water Treatment Plant	179,161.22
1512	Trans. & Dist. Plant Meters	60,670.00
1513	Electrical/Electronic Equip.	248,588.55
1514	Computer/Office Equipment	44,172.53
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	500,288.76
1526	Vosburg Booster	12,590.00
1527	SCADA Equipment	196,172.05
1528	Tanks and Reservoirs	97,944.39
1529	Holly Tanks	181,113.76
1530	Tools	3,208.56
1600	Accum. Depreciation	(2,955,642.12)
		<hr/>
	Total Property and Equipment	4,434,541.45
		<hr/>
	Total Assets	\$ 5,095,948.45
		<hr/> <hr/>

Kinneloa Irrigation District
Balance Sheet
March 31, 2012

LIABILITIES AND CAPITAL

Current Liabilities

2000	Accounts Payable	\$ 20,142.41	
2271	Deposits-Construction Meters	850.00	
2272	Job Deposits	3,800.00	
2290	Accrued Vacation	13,894.70	
	Total Current Liabilities		38,687.11

Long-Term Liabilities

2400	Truck Loan Payable	37,098.29	
	Total Long-Term Liabilities		37,098.29
	Total Liabilities		75,785.40

Capital

3040	Fund Balance	4,925,075.69	
	Net Income	95,087.36	
	Total Capital		5,020,163.05
	Total Liabilities & Capital	\$	5,095,948.45

Kinneloa Irrigation District
Statement of Cash Flow
For the three Months Ended March 31, 2012

	Current Month	Year to Date
Cash Flows from operating activities		
Net Income	\$ 18,809.30	\$ 95,087.36
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
1100 Accts. Receivable-Water Sales	9,971.38	(1,008.85)
1101 Accts. Receiv.-Service Charges	13,084.46	13,084.46
1102 Accts. Receiv.-Wholesale Water	(1,115.42)	(32,356.37)
1190 Allowance for Bad Debts	87.69	87.69
1350 Prepaid Insurance	(677.28)	1,996.72
1360 Prepaid Expenses	1,502.41	4,291.23
2000 Accounts Payable	(2,746.45)	2,478.31
2271 Deposits-Construction Meters	850.00	850.00
2272 Job Deposits	650.00	1,300.00
	21,606.79	(9,276.81)
Net Cash provided by Operations	40,416.09	85,810.55
 Cash Flows from investing activities		
<i>Used For</i>		
1511 Water Treatment Plant	0.00	(5,243.90)
1530 Tools	0.00	(760.03)
	0.00	(6,003.93)
Net cash used in investing	0.00	(6,003.93)
 Cash Flows from financing activities		
<i>Proceeds From</i>		
<i>Used For</i>		
	0.00	0.00
Net cash used in financing	0.00	0.00
Net increase (decrease) in cash	\$ 40,416.09	\$ 79,806.62
 Summary		
Cash Balance at End of Period	\$ 546,444.76	\$ 546,444.76
Cash Balance at Beg. of Period	(506,028.67)	(466,638.14)
	\$ 40,416.09	\$ 79,806.62
Net Increase (Decrease) in Cash	\$ 40,416.09	\$ 79,806.62

Aged Receivables Report -- Previous 12 Months

ACCOUNTING PERIOD	CURRENT PERIOD	OVER 30 DAYS	OVER 60 DAYS	OVER 90 DAYS	TOTAL BALANCE	LATE PAYMENT CHARGES
APRIL 2011	\$71,105 312	\$851 61	\$1,592 18	\$972 13	\$74,520	\$341.45 21 Accts.
MAY 2011	\$72,917 289	\$38,282 47	\$135 15	\$2,497 12	\$113,831	\$385.86 24 Accts.
JUNE 2011	\$81,228 320	\$5,233 76	\$1,058 27	\$2,717 11	\$90,236	\$738.13 45 Accts.
JULY 2011	\$64,746 327	\$36,816 67	\$568 19	\$1,903 11	\$104,033	\$566.89 35 Accts.
AUGUST 2011	\$47,152 252	\$2,461 73	\$901 15	\$2,216 12	\$52,731	\$493.34 30 Accts.
SEPTEMBER 2011	\$37,028 228	\$4,821 59	\$237 19	\$2,127 11	\$44,213	\$512.55 30 Accts.
OCTOBER 2011	\$48,106 212	\$13,256 72	\$4,342 20	\$1,670 5	\$67,373	\$383.27 24 Accts.
NOVEMBER 2011	\$45,448 226	\$22,823 85	\$4,441 25	\$2,251 6	\$74,962	\$392.35 24 Accts.
DECEMBER 2011	\$27,080 315	\$15,343 97	\$3,209 19	\$593 3	\$46,225	\$519.13 33 Accts.
JANUARY 2012	\$35,448 225	\$9,066 67	\$2,974 18	\$1,218 4	\$48,706	\$600.65 36 Accts.
FEBRUARY 2012	\$41,899 275	\$13,073 87	\$1,572 16	\$660 5	\$57,205	\$230.32 16 Accts.
MARCH 2012	\$33,500 205	\$10,388 69	\$2,685 17	\$660 5	\$47,233	\$502.54 30 Accts.

Kinneloa Irrigation District
Check Register
For the Period From March 1, 2012 to March 31, 2012

Date	Check #	Payee	Amount	Description
3/6/12	6905	A&B Electric	1,091.08	repair motor relay K-3 well;exhaust fan motor Euc
3/6/12	6906	ACWA Health Benefits Authorit	4,402.05	health insurance
3/6/12	6907	Alert Communications, Inc.	157.33	answering service
3/6/12	6908	Air Quality Management Distric	6,371.76	generator and pump permit
3/6/12	6909	Aqua Video Engineering	5,950.00	clean and inspect reservoirs Euc & Wilcox
3/6/12	6910	Aramark Uniform Services	176.85	shirts
3/6/12	6911	Athens Services	134.37	trash pick-up
3/6/12	6912	Consolidated Electrical Distribut	559.16	electrical and maintenance supplies
3/6/12	6913	Cook Paging, Inc.	19.00	paggers
3/6/12	6914	McMaster Carr	670.60	parts for K-3, Euc generator installation; maint. sup.
3/6/12	6922	Monrovia Mailing Company	355.02	mail annual consumption letters and postage
3/6/12	6923	MWH Laboratories	118.80	water analysis
3/6/12	6924	Severn Trent Water Purification,	127.62	spare parts
3/6/12	6925	Shirley Burt	60.61	mileage reimbursement
3/6/12	6926	Sparling Instruments, Inc.	455.66	Vosburg production meter repair
3/6/12	6927	Specialty Services	275.00	janitorial service
3/6/12	6928	Utility Service Co., Inc.	3,651.97	tank maintenance
3/6/12	EFT1341	AT&T	63.81	telephone
3/6/12	EFT1342	Earthlink Network	4.95	internet service
3/6/12	EFT1343	Pasadena Municipal Services	1,110.50	electricity
3/6/12	EFT1344	Southern California Edison Co.	7,231.02	electricity
3/6/12	EFT1345	Verizon Wireless	182.98	mobile phone
3/6/12	EFT1346	Calif. Public Employees Retirem	2,493.62	PERS withholding
3/15/12	65129702	Bernadette C. Allen	458.62	salary
3/15/12	EFT1357	Christopher A. Burt	1,963.10	salary
3/15/12	EFT1358	Shirley L. Burt	1,434.95	salary
3/15/12	EFT1359	Melvin L. Matthews	5,036.04	salary
3/15/12	65129703	Brian L. Fry	1,576.98	salary
3/15/12	65129704	Felix Galindo	427.33	salary
3/15/12	65129705	Chris J. Mellinger	392.35	salary
3/15/12	EFT1360	ADP	57.04	payroll processing
3/15/12	EFT1361	Christopher A. Burt	150.00	salary
3/15/12	EFT1362	ADP	5,552.95	withholding and taxes
3/20/12	6929	ACWA/JPIA	2,208.08	property/casualty/auto insurance
3/20/12	6930	Berg Hardware	190.16	maintenance supplies
3/20/12	6931	Consolidated Electrical Distribut	234.26	maint. sup.; 4' box for lamps; general maintenance
3/20/12	6932	Civiltec Engineering, Inc.	3,240.00	vosburg booster pump station replacement
3/20/12	6933	Clinical Laboratory, San Bernar	24.00	water sample analysis
3/20/12	6934	Calif. Utility Emergency Associ	500.00	CUEA annual membership dues 2012/2013
3/20/12	6935	Foothill Municipal Water Distric	277.58	admin charge
3/20/12	6936	County of Los Angeles	292.60	election cost incurred prior to cancellation
3/20/12	6937	Lagerlof,Senecal,Gosney & Kru:	563.75	public water agencies group

Kinneloa Irrigation District
Check Register
For the Period From March 1, 2012 to March 31, 2012

3/20/12	6938	Melvin L. Matthews	139.46	expense reimbursement
3/20/12	6939	McMaster Carr	530.77	maint. sup; cl2 and general maintenance
3/20/12	6940	Monrovia Mailing Company	370.27	mail handling and postage
3/20/12	6941	MWH Laboratories	132.00	water sample analysis
3/20/12	6942	Perry Thomas Construction Co.,	1,804.50	leak repair fairpoint
3/20/12	6943	Slater Waterproofing Inc.	1,446.00	chl room epoxy coating labor/serv/equip
3/20/12	EFT1363	Arco Gaspro Plus	925.21	truck gas
3/20/12	EFT1364	AT&T	283.89	telephone
3/20/12	EFT1365	Bank of America Business Card	1,177.24	see attached schedule
3/20/12	EFT1366	Charter Communications	79.99	internet service
3/26/12	6788V	Shirley Burt	-149.67	October mileage reimbursement ck lost
3/26/12	6879V	Monrovia Mailing Company	-370.27	flouride letters and postage ck lost
3/29/12	6944	Stanley Location Services Inc.	702.50	refund check
3/30/12	6945	Ameripride Uniform Service	49.82	shop rag service
3/30/12	6946	Consolidated Electrical Distribut	10.70	maintenance supplies elec. Tape
3/30/12	6947	Denram Products	824.09	annual consumpt. env; laser water bill statements
3/30/12	6948	Monrovia Mailing Company	370.27	flouride letters and postage reissued
3/30/12	6949	Perry Thomas Construction Co.,	17,535.00	ss screen at Vosburg, Brown, Glen, Wilcox
3/30/12	6950	Shirley Burt	149.67	October mileage reimbursement reissued
3/30/12	6951	Sparling Instruments, Inc.	438.50	labor/materials meter repair and calib., 4 sites
3/30/12	6952	MWH Laboratories	118.80	water sample analysis
3/31/12	EFT1367	Bank of America Business Card	-72.76	correction to posting error
3/31/12	EFT1368	Bernadette C. Allen	589.65	salary
3/31/12	EFT1369	Richard L. Barkhurst	94.35	salary
3/31/12	EFT1370	Christopher A. Burt	2,233.75	salary
3/31/12	EFT1371	Shirley L. Burt	1,434.95	salary
3/31/12	EFT1372	Francis J. Griffith	94.35	salary
3/31/12	EFT1373	Gerrie G. Kilburn	94.35	salary
3/31/12	EFT1374	Melvin L. Matthews	3,294.94	salary
3/31/12	EFT1375	Steven G. Sorell	59.35	salary
3/31/12	65142227	Brian L. Fry	1,597.40	salary
3/31/12	65142228	Felix Galindo	433.71	salary
3/31/12	65142229	Chris J. Mellinger	355.57	salary
3/31/12	EFT1376	ADP	73.60	payroll processing
3/31/12	EFT1377	ADP	4,298.34	withholding and taxes
3/31/12	EFT1378	Christopher A. Burt	150.00	salary
	Total		101,543.84	

**Credit Card Detail
February
2012**

Acct. No.	Account Description	Additional Description	Shirley	Mel	Brian	Chris B	Chris M	TOTAL
5010	Maintenance Supplies	generator batteries and water quality			\$701.94			\$701.94
1530	Maintenance Tools							\$0.00
5012	Safety Equipment							\$0.00
5022	Training/Certification							\$0.00
5025	Water Treatment/Analysis							\$0.00
5035	Vehicle Maintenance	truck maintenance				\$17.38		\$17.38
5036	Fuel							\$0.00
6017	Adm. Travel							\$0.00
6021	Adm. & Bd. Exp							\$0.00
6035	Office/Computer Supplies	offices supplies and ink cartridge	\$277.49					\$277.49
6036	Postage/Delivery	postage	\$45.50					\$45.50
6040	Professional Dues							\$0.00
6051	Mobile Phone							\$0.00
6053	Internet Service							\$0.00
6059	Computer/ Software Maintenance	ink cartridges		\$134.93				\$134.93
6061	Office Equipment Maintenance							\$0.00
6081	Permits/Fees							\$0.00
								\$0.00
TOTAL			\$322.99	\$134.93	\$701.94	\$17.38	\$0.00	\$1,177.24