

**LOS TRANCOS COUNTY WATER DISTRICT  
NOTICE OF PUBLIC MEETING  
Thursday, November 3, 2011 7:30pm**

**PV Town Center  
Buckeye Room  
765 Portola Road  
Portola Valley Ca.**



**AGENDA**

**0) Public Comment**

*Members of the public may address the Board on District relevant issues not listed on the agenda. Comments on matters that are listed on the agenda may be made at the time the Board is considering each item. Each speaker is allowed a maximum of three (3) minutes.*

- 1) Approval of Minutes for June, 2011 and September, 2011 (15 min)**
- 2) Financial Report/Approval of Audit Report (Tate – 15 minutes)**
- 3) Program Updates (Board – 45 minutes)**
- 4) Discussion on Sandy Sloan meeting re: possible activation of chartered District program(s). (Sherman/Smernoff – 30 min.)**
- 5) Follow-up discussion regarding 2011/2012 budget; part-time coordinator position (Smernoff/Board – 30 minutes)**
- 6) Final review Secretary Contract Agreement and Procedures/ Protocol. (Ward – 15 minutes)**
- 7) Update on Adobe Acrobat E-Signatures software; confirm all Board members are onboard (software available for new Board members?) (Tate/Smernoff – 10 minutes)**
- 8) Presentation of outgoing Directors Krenz and Ward with “thank you” gifts (Board – 10 minutes)**
- 9) Approval of next Board President (Sherman – 5 minutes)**
- 10) Correspondence & Communication (Board – 10 minutes)**
- 11) Set date, time, and place of next meeting**

**For minutes from June meeting:**

**3. Discussion/decision regarding the Recording Secretary position**

Sherman stated that the board and community were not being well served by Zimmerman as the minutes were not as clear as they would like.

Uridel asked what else Zimmerman had failed to do.

Smernoff said that the board bears some responsibility. The position is a challenge to take on. He was willing to give her more time. Uridel agreed and said that Zimmerman/the board got off on the wrong foot. He wanted to consult with other special district boards to decide what should be expected from a recording secretary. When reading the agenda it wasn't clear that there was a vote to terminate Zimmerman. It should have been clearly stated.

Sherman noted that the item had been approved by legal counsel and that the public discussion of the matter was the only way it could be handled legally. She also noted that if Uridel had had any questions regarding this or any agenda item, a direct inquiry could have been made to Sherman prior to the meeting.

Sherman added to her perspective: "There has been an inordinate amount of confusion regarding several aspects of the recording duties, but most importantly that the minutes were often not clear or accurate. "In January, as a board we agreed to revisit this matter now. This is not a good fit." Ward agreed. Krenz agreed adding that the accuracy of the notes was his primary concern.

Sherman moved to discontinue Zimmerman's role as recording secretary. Ward seconded. The motion passed with Sherman, Ward and Krenz in favor. Uridel and Smernoff against.

There was a general discussion concerning the responsibilities and challenges of the position, and if the board was willing to provide additional time for meeting those challenges.

Ward said he reviewed the job description with legal counsel, and they suggested that the role as described is a Secretary's job, not a Recording Secretary's which has more limited scope. He suggested removing "Recording" and putting more details in the scope and timelines; a task he volunteered to take on.

Smernoff stated that the recording secretary position needed to be carefully reviewed. He suggested agenda itemizing and reviewing the matter in September. "We need to do a better job in hiring." Sherman included that it needs to be clear whose responsibility it is on the Board to hire for this position – should it be the residing President or a committee?

Smernoff said the board should improve the contract language for the recording secretary; it's not well formulated and is too informal.

**Decision for new contract language review tabled to September meeting.**

8:16 AM

10/31/11

Accrual Basis

**Los Trancos County Water District**  
**Balance Sheet**  
As of September 30, 2011

	<u>Sep 30, 11</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Bank of California - Checking	10,524.99
LAIF Mutual fund	116,848.50
<b>Total Checking/Savings</b>	<u>127,373.49</u>
<b>Total Current Assets</b>	<u>127,373.49</u>
<b>TOTAL ASSETS</b>	<u><b>127,373.49</b></u>
<b>LIABILITIES &amp; EQUITY</b>	
Equity	
30000 · Opening Balance Equity	175,649.69
32000 · Unrestricted Net Assets	42,329.79
Net Income	<u>-90,605.99</u>
<b>Total Equity</b>	<u>127,373.49</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>127,373.49</b></u>

7:55 AM

10/31/11

Accrual Basis

## Los Trancos County Water District Income Statement: Actual vs Budget by Account September 2011

	Sep 11	Budget	Jul - Sep 11	YTD Budget	Annual Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
43400 · Direct Public Support	87.03	141.00	5,161.20	7,193.00	272,878.00
45000 · Investments	0.00		324.79	300.00	1,200.00
<b>Total Income</b>	87.03	141.00	5,485.99	7,493.00	274,078.00
<b>Expense</b>					
61100 · Water Use Efficiency	3,412.94	1,061.33	4,401.01	5,448.01	15,000.00
61200 · Emergency Preparedness	13,595.00	7,666.66	30,996.11	22,999.98	92,000.00
61900 · Offset Program	10,000.00		10,000.00	10,000.00	40,000.00
62800 · Lands	800.00	1,916.68	1,225.00	5,750.04	23,000.00
62900 · Water Movement Control	28,934.42	13,750.00	41,907.65	41,250.00	165,000.00
64800 · Contract Services	687.50	9,619.16	3,082.06	17,077.48	60,900.00
65000 · Operations	290.59	1,020.84	497.79	3,063.52	12,251.00
65100 · Other Types of Expenses	3,965.75		3,969.75	4,500.00	11,480.00
68300 · Travel and Meetings	12.61	50.00	12.61	150.00	600.00
<b>Total Expense</b>	61,698.81	35,084.67	96,091.98	110,239.03	420,231.00
<b>Net Ordinary Income</b>	-61,611.78	-34,943.67	-90,605.99	-102,746.03	-146,153.00
<b>Net Income</b>	<b>-61,611.78</b>	<b>-34,943.67</b>	<b>-90,605.99</b>	<b>-102,746.03</b>	<b>-146,153.00</b>

**Los Trancos County Water District**  
**Income Statement: Actual vs Budget by Account**  
**September 2011**

	Sep 11	Budget	Jul - Sep 11	YTD Budget	Annual Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
<b>43400 · Direct Public Support</b>					
43405 · Property Tax Revenue	87.03		5,161.20		
43400 · Direct Public Support - Other	0.00	141.00	0.00	7,193.00	272,878.00
<b>Total 43400 · Direct Public Support</b>	87.03	141.00	5,161.20	7,193.00	272,878.00
<b>45000 · Investments</b>					
45030 · Interest-Savings, Short-term CD	0.00		324.79		
45000 · Investments - Other	0.00		0.00	300.00	1,200.00
<b>Total 45000 · Investments</b>	0.00		324.79	300.00	1,200.00
<b>Total Income</b>	87.03	141.00	5,485.99	7,493.00	274,078.00
<b>Expense</b>					
<b>61100 · Water Use Efficiency</b>					
60904 · WUE Rebate - Exterior	912.94	651.23	912.94	3,534.55	9,395.64
61102 · WUE Rebate - Interior	2,500.00	281.76	3,488.07	1,528.44	4,064.36
61103 · WUE Residential Water Survey	0.00	128.34	0.00	385.02	1,540.00
<b>Total 61100 · Water Use Efficiency</b>	3,412.94	1,061.33	4,401.01	5,448.01	15,000.00
<b>61200 · Emergency Preparedness</b>					
61205 · Fire Safety Escape Routes	2,700.00	2,500.00	6,750.00	7,500.00	30,000.00
61207 · Fire Safety Community Buffer	0.00	2,666.66	1,419.28	7,999.98	32,000.00
61208 · Fire Safety Residential Program	10,895.00	2,500.00	22,826.83	7,500.00	30,000.00
<b>Total 61200 · Emergency Preparedness</b>	13,595.00	7,666.66	30,996.11	22,999.98	92,000.00
<b>61900 · Offset Program</b>					
61901 · Offset	8,950.00		8,950.00	8,950.00	35,800.00
61905 · Offset admin fee	1,050.00		1,050.00	1,050.00	4,200.00
<b>Total 61900 · Offset Program</b>	10,000.00		10,000.00	10,000.00	40,000.00
<b>62800 · Lands</b>					
62801 · Restrtn Supls, Plants Irrrgtn	0.00	250.00	375.00	750.00	3,000.00
62802 · Fuel load reduction/SOD treatme	800.00	250.00	800.00	750.00	3,000.00
62803 · Maintenance	0.00	500.00	0.00	1,500.00	6,000.00
62804 · Environmental review, document	0.00	83.34	0.00	250.02	1,000.00
62840 · Capital Projects	0.00	666.66	0.00	1,999.98	8,000.00
62850 · Contingency	0.00	83.34	0.00	250.02	1,000.00
62890 · Utilities - Water	0.00	83.34	50.00	250.02	1,000.00
<b>Total 62800 · Lands</b>	800.00	1,916.68	1,225.00	5,750.04	23,000.00
<b>62900 · Water Movement Control</b>					
62902 · Phase One Supplemental Budget	6,501.01	4,166.66	6,916.01	12,499.98	50,000.00
62903 · Water testing	442.50	1,250.00	9,494.48	3,750.00	15,000.00
62904 · Ramona Road Study	4,076.91	3,333.34	7,583.16	10,000.02	40,000.00
62905 · Residential Incentive Program	17,914.00	5,000.00	17,914.00	15,000.00	60,000.00
<b>Total 62900 · Water Movement Control</b>	28,934.42	13,750.00	41,907.65	41,250.00	165,000.00

**Los Trancos County Water District**  
**Income Statement: Actual vs Budget by Account**  
**September 2011**

	Sep 11	Budget	Jul - Sep 11	YTD Budget	Annual Budget
<b>64800 · Contract Services</b>					
64801 · Recording Secretary	0.00	416.66	0.00	1,249.98	5,000.00
64805 · Bookkeeping	0.00	512.50	1,000.00	1,537.50	6,150.00
64806 · Operations Manager	0.00	2,500.00	0.00	7,500.00	30,000.00
64810 · Accounting Fees	0.00	4,750.00	0.00	4,750.00	4,750.00
64840 · Legal Fees	687.50	1,440.00	2,082.06	2,040.00	15,000.00
<b>Total 64800 · Contract Services</b>	687.50	9,619.16	3,082.06	17,077.48	60,900.00
<b>65000 · Operations</b>					
65010 · Books, Subscriptions, Reference	0.00		0.00	1.00	1.00
65020 · Postage, Mailing Service	0.00	4.16	88.00	12.48	50.00
65030 · Printing and Copying	0.00	400.00	0.00	1,200.00	4,800.00
65040 · Supplies	290.59	75.00	409.79	225.00	900.00
65060 · Technology	0.00	208.34	0.00	625.02	2,500.00
65070 · Marketing and Communications	0.00	333.34	0.00	1,000.02	4,000.00
<b>Total 65000 · Operations</b>	290.59	1,020.84	497.79	3,063.52	12,251.00
<b>65100 · Other Types of Expenses</b>					
65105 · Insurance, Liability	3,963.75		3,963.75	4,500.00	4,500.00
65120 · Insurance - D and O	0.00		0.00		3,000.00
65130 · Election Costs	0.00		0.00		2,000.00
65150 · Memberships and Dues	0.00		0.00		644.00
65155 · Grants and Donations	0.00		0.00		1,000.00
65160 · Other Costs	2.00		6.00		
65180 · LAFCO	0.00		0.00		136.00
65190 · Departing Gifts	0.00		0.00		200.00
<b>Total 65100 · Other Types of Expenses</b>	3,965.75		3,969.75	4,500.00	11,480.00
<b>68300 · Travel and Meetings</b>					
68310 · Conference, Convention, Meeting	12.61	41.66	12.61	124.98	500.00
68320 · Travel	0.00	8.34	0.00	25.02	100.00
<b>Total 68300 · Travel and Meetings</b>	12.61	50.00	12.61	150.00	600.00
<b>Total Expense</b>	61,698.81	35,084.67	96,091.98	110,239.03	420,231.00
<b>Net Ordinary Income</b>	-61,611.78	-34,943.67	-90,605.99	-102,746.03	-146,153.00
<b>Net Income</b>	<b>-61,611.78</b>	<b>-34,943.67</b>	<b>-90,605.99</b>	<b>-102,746.03</b>	<b>-146,153.00</b>

8:01 AM

10/31/11

Accrual Basis

**Los Trancos County Water District**  
**Balance Sheet**  
As of October 31, 2011

	<u>Oct 31, 11</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Bank of California - Checking	3,758.43
LAIF Mutual fund	66,848.50
<b>Total Checking/Savings</b>	<u>70,606.93</u>
<b>Total Current Assets</b>	<u>70,606.93</u>
<b>TOTAL ASSETS</b>	<b><u>70,606.93</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
Equity	
30000 · Opening Balance Equity	175,649.69
32000 · Unrestricted Net Assets	42,329.79
Net Income	-147,372.55
<b>Total Equity</b>	<u>70,606.93</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>70,606.93</u></b>

7:58 AM

10/31/11

Accrual Basis

## Los Trancos County Water District Income Statement: Actual vs Budget by Account October 2011

	Oct 11	Budget	Jul - Oct 11	YTD Budget	Annual Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
43400 · Direct Public Support	86.30	38.00	5,247.50	7,231.00	272,878.00
45000 · Investments	0.00	300.00	324.79	600.00	1,200.00
<b>Total Income</b>	<b>86.30</b>	<b>338.00</b>	<b>5,572.29</b>	<b>7,831.00</b>	<b>274,078.00</b>
<b>Expense</b>					
61100 · Water Use Efficiency	5,577.86	1,061.33	9,978.87	6,509.34	15,000.00
61200 · Emergency Preparedness	19,597.50	7,666.66	50,593.61	30,666.64	92,000.00
61900 · Offset Program	0.00	10,000.00	10,000.00	20,000.00	40,000.00
62800 · Lands	800.00	1,916.68	2,025.00	7,666.72	23,000.00
62900 · Water Movement Control	27,701.33	13,750.00	69,608.98	55,000.00	165,000.00
64800 · Contract Services	2,200.00	4,869.16	5,282.06	21,946.64	60,900.00
65000 · Operations	413.19	1,020.84	910.98	4,084.36	12,251.00
65100 · Other Types of Expenses	562.98	644.00	4,532.73	5,144.00	11,480.00
68300 · Travel and Meetings	0.00	50.00	12.61	200.00	600.00
<b>Total Expense</b>	<b>56,852.86</b>	<b>40,978.67</b>	<b>152,944.84</b>	<b>151,217.70</b>	<b>420,231.00</b>
<b>Net Ordinary Income</b>	<b>-56,766.56</b>	<b>-40,640.67</b>	<b>-147,372.55</b>	<b>-143,386.70</b>	<b>-146,153.00</b>
<b>Net Income</b>	<b>-56,766.56</b>	<b>-40,640.67</b>	<b>-147,372.55</b>	<b>-143,386.70</b>	<b>-146,153.00</b>

**Los Trancos County Water District**  
**Income Statement: Actual vs Budget by Account**  
**October 2011**

	Oct 11	Budget	Jul - Oct 11	YTD Budget	Annual Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
<b>43400 · Direct Public Support</b>					
43405 · Property Tax Revenue	86.30		5,247.50		
43400 · Direct Public Support - Other	0.00	38.00	0.00	7,231.00	272,878.00
<b>Total 43400 · Direct Public Support</b>	86.30	38.00	5,247.50	7,231.00	272,878.00
<b>45000 · Investments</b>					
45030 · Interest-Savings, Short-term CD	0.00		324.79		
45000 · Investments - Other	0.00	300.00	0.00	600.00	1,200.00
<b>Total 45000 · Investments</b>	0.00	300.00	324.79	600.00	1,200.00
<b>Total Income</b>	86.30	338.00	5,572.29	7,831.00	274,078.00
<b>Expense</b>					
<b>61100 · Water Use Efficiency</b>					
60904 · WUE Rebate - Exterior	2,185.86	651.23	3,098.80	4,185.78	9,395.64
61102 · WUE Rebate - Interior	3,392.00	281.76	6,880.07	1,810.20	4,064.36
61103 · WUE Residential Water Survey	0.00	128.34	0.00	513.36	1,540.00
<b>Total 61100 · Water Use Efficiency</b>	5,577.86	1,061.33	9,978.87	6,509.34	15,000.00
<b>61200 · Emergency Preparedness</b>					
61205 · Fire Safety Escape Routes	12,150.00	2,500.00	18,900.00	10,000.00	30,000.00
61207 · Fire Safety Community Buffer	250.00	2,666.66	1,669.28	10,666.64	32,000.00
61208 · Fire Safety Residential Program	7,197.50	2,500.00	30,024.33	10,000.00	30,000.00
<b>Total 61200 · Emergency Preparedness</b>	19,597.50	7,666.66	50,593.61	30,666.64	92,000.00
<b>61900 · Offset Program</b>					
61901 · Offset	0.00	8,950.00	8,950.00	17,900.00	35,800.00
61905 · Offset admin fee	0.00	1,050.00	1,050.00	2,100.00	4,200.00
<b>Total 61900 · Offset Program</b>	0.00	10,000.00	10,000.00	20,000.00	40,000.00
<b>62800 · Lands</b>					
62801 · Restrtn Supls, Plants Irrrgtn	0.00	250.00	375.00	1,000.00	3,000.00
62802 · Fuel load reduction/SOD treatme	800.00	250.00	1,600.00	1,000.00	3,000.00
62803 · Maintenance	0.00	500.00	0.00	2,000.00	6,000.00
62804 · Environmental review, document	0.00	83.34	0.00	333.36	1,000.00
62840 · Capital Projects	0.00	666.66	0.00	2,666.64	8,000.00
62850 · Contingency	0.00	83.34	0.00	333.36	1,000.00
62890 · Utilities - Water	0.00	83.34	50.00	333.36	1,000.00
<b>Total 62800 · Lands</b>	800.00	1,916.68	2,025.00	7,666.72	23,000.00
<b>62900 · Water Movement Control</b>					
62902 · Phase One Supplemental Budget	0.00	4,166.66	6,916.01	16,666.64	50,000.00
62903 · Water testing	1,001.00	1,250.00	10,495.48	5,000.00	15,000.00
62904 · Ramona Road Study	12,450.33	3,333.34	20,033.49	13,333.36	40,000.00
62905 · Residential Incentive Program	14,250.00	5,000.00	32,164.00	20,000.00	60,000.00
<b>Total 62900 · Water Movement Control</b>	27,701.33	13,750.00	69,608.98	55,000.00	165,000.00

**Los Trancos County Water District**  
**Income Statement: Actual vs Budget by Account**  
**October 2011**

	Oct 11	Budget	Jul - Oct 11	YTD Budget	Annual Budget
<b>64800 · Contract Services</b>					
64801 · Recording Secretary	500.00	416.66	500.00	1,666.64	5,000.00
64805 · Bookkeeping	1,200.00	512.50	2,200.00	2,050.00	6,150.00
64806 · Operations Manager	0.00	2,500.00	0.00	10,000.00	30,000.00
64810 · Accounting Fees	0.00		0.00	4,750.00	4,750.00
64840 · Legal Fees	500.00	1,440.00	2,582.06	3,480.00	15,000.00
<b>Total 64800 · Contract Services</b>	2,200.00	4,869.16	5,282.06	21,946.64	60,900.00
<b>65000 · Operations</b>					
65010 · Books, Subscriptions, Reference	29.91		29.91	1.00	1.00
65020 · Postage, Mailing Service	27.35	4.16	115.35	16.64	50.00
65030 · Printing and Copying	0.00	400.00	0.00	1,600.00	4,800.00
65040 · Supplies	0.00	75.00	409.79	300.00	900.00
65060 · Technology	355.93	208.34	355.93	833.36	2,500.00
65070 · Marketing and Communications	0.00	333.34	0.00	1,333.36	4,000.00
<b>Total 65000 · Operations</b>	413.19	1,020.84	910.98	4,084.36	12,251.00
<b>65100 · Other Types of Expenses</b>					
65105 · Insurance, Liability	51.63		4,015.38	4,500.00	4,500.00
65120 · Insurance - D and O	0.00		0.00		3,000.00
65130 · Election Costs	0.00		0.00		2,000.00
65150 · Memberships and Dues	0.00	644.00	0.00	644.00	644.00
65155 · Grants and Donations	0.00		0.00		1,000.00
65160 · Other Costs	0.00		6.00		
65180 · LAFCO	0.00		0.00		136.00
65190 · Departing Gifts	511.35		511.35		200.00
<b>Total 65100 · Other Types of Expenses</b>	562.98	644.00	4,532.73	5,144.00	11,480.00
<b>68300 · Travel and Meetings</b>					
68310 · Conference, Convention, Meeting	0.00	41.66	12.61	166.64	500.00
68320 · Travel	0.00	8.34	0.00	33.36	100.00
<b>Total 68300 · Travel and Meetings</b>	0.00	50.00	12.61	200.00	600.00
<b>Total Expense</b>	56,852.86	40,978.67	152,944.84	151,217.70	420,231.00
<b>Net Ordinary Income</b>	-56,766.56	-40,640.67	-147,372.55	-143,386.70	-146,153.00
<b>Net Income</b>	<b>-56,766.56</b>	<b>-40,640.67</b>	<b>-147,372.55</b>	<b>-143,386.70</b>	<b>-146,153.00</b>

September 21, 2011

Mr. Michael Ward  
162 Los Trancos Circle  
Portola Valley, CA 94028

Dear Mr. Ward:

Enclosed are two bound and five unbound copies of our report dated September 21, 2011, covering our audit of the financial statements of the Los Trancos Water District for the fiscal year ended June 30, 2011. We have also separately sent you one PDF copy for distribution to the board members.

Very truly yours,

C. G. UHLENBERG LLP

By \_\_\_\_\_  
Jeffrey J. Ira

JJI/sf

Encl.

**LOS TRANCOS COUNTY WATER DISTRICT**

FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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**LOS TRANCOS COUNTY WATER DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Los Trancos County Water District  
Portola Valley, California

We have audited the accompanying financial statements of the business-type activities of the Los Trancos County Water District (the "District") as of and for the years ended June 30, 2011 and 2010, which collectively comprise all of the District's basic financial statements. These financial statements are the responsibility of the Los Trancos County Water District's management. Our responsibility is to express opinions 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly the financial position of the Los Trancos County Water District, as of June 30, 2011 and 2010, the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is required supplementary information to, although not a part of, the basic financial statements. This is a practice common among many special districts.

October 10, 2011  
Redwood City, California

**LOS TRANCOS COUNTY WATER DISTRICT**

BALANCE SHEETS  
JUNE 30, 2011 AND 2010

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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 233,621	\$ 209,352
Property Taxes Receivable	-	6,844
Total Current Assets	<u>233,621</u>	<u>216,196</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 233,621</u></u>	<u><u>\$ 216,196</u></u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	<u>\$ 15,641</u>	<u>\$ 8,000</u>
Total Current Liabilities	<u>15,641</u>	<u>8,000</u>
<b>LONG-TERM LIABILITIES</b>		
Notes Payable	<u>617,762</u>	<u>617,762</u>
Total Long-Term Liabilities	<u>617,762</u>	<u>617,762</u>
Total Liabilities	<u>633,403</u>	<u>625,762</u>
<b>NET ASSETS</b>		
Unrestricted	(399,782)	(409,566)
Total Net Assets	<u>(399,782)</u>	<u>(409,566)</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u><u>\$ 233,621</u></u>	<u><u>\$ 216,196</u></u>

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

**LOS TRANCOS COUNTY WATER DISTRICT**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR EACH OF THE FISCAL YEARS ENDED  
JUNE 30, 2011 AND JUNE 30, 2010

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	<u>2011</u>	<u>2010</u>
OPERATING EXPENSES:		
Administrative expenses	\$ 7,876	\$ 5,685
Services and supplies	23,546	17,755
Insurance	6,169	4,131
Property management	24,760	17,507
Water conservation	4,867	18,563
Water movement	52,677	40,734
Emergency preparedness	107,184	84,969
Water cost discount program	45,680	80,000
	<u>272,759</u>	<u>269,344</u>
OPERATING LOSS	<u>(272,759)</u>	<u>(269,344)</u>
NON-OPERATING INCOME		
Property taxes	276,445	252,270
Miscellaneous collections	5,070	4,381
Interest income	1,028	1,517
	<u>282,543</u>	<u>258,168</u>
NET INCOME	9,784	(11,176)
NET ASSETS - BEGINNING OF YEAR	<u>(409,566)</u>	<u>(398,390)</u>
NET ASSETS - END OF YEAR	<u>\$ (399,782)</u>	<u>\$ (409,566)</u>

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

**LOS TRANCOS COUNTY WATER DISTRICT**

STATEMENTS OF CASH FLOWS  
FOR EACH OF THE YEARS ENDED  
JUNE 30, 2011 AND JUNE 30, 2010

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	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Payments for administrative expenses	\$ (7,876)	\$ (5,685)
Payments for services and supplies	(15,905)	(9,755)
Payments for insurance	(6,169)	(4,131)
Payments for property management	(24,760)	(17,507)
Payments for water conservation	(4,867)	(18,563)
Payments for water movement	(52,677)	(40,734)
Payments for emergency preparedness	(107,184)	(84,969)
Payments for water cost discount program	(45,680)	(80,000)
	<u>(265,118)</u>	<u>(261,344)</u>
Net cash used in operating activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Property tax received	283,289	245,426
Miscellaneous collections	5,070	4,381
	<u>288,359</u>	<u>249,807</u>
Net cash provided by noncapital financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	1,028	1,517
	<u>1,028</u>	<u>1,517</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	24,269	(10,020)
Cash and cash equivalents, beginning of year	<u>209,352</u>	<u>219,372</u>
Cash and cash equivalents, end of year	<u><u>\$ 233,621</u></u>	<u><u>\$ 209,352</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	\$ (272,759)	\$ (269,344)
Adjustments to reconcile operating loss to cash provided by (used in) operating activities:		
Increase in accounts payable	<u>7,641</u>	<u>8,000</u>
Net cash used in operating activities	<u><u>\$ (265,118)</u></u>	<u><u>\$ (261,344)</u></u>

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

# **LOS TRANCOS COUNTY WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010**

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### **1. ORGANIZATION**

Los Trancos County Water District (the District) is a California Special District originally organized to provide water services to Vista Verde, Los Trancos Woods, Blue Oaks, and nearby areas within San Mateo County. The District was formed in January 1955. It ceased operating pumping plants at various locations in April 2005 when the District sold their water transmission and distribution system to California Water Service for \$125,000. Also included was Los Trancos' water supply assurance. This sale consists of all mains, services, tanks, pumps, rights of way and other related assets. The district has retained their property, approximately 5 acres mol in three parcels, and will continue to collect property tax revenue from the County, and use the revenue to maintain their property and make it available to the community, promote water conservation and provide a minimum connection fee credit for residents who do so, to make the watershed fire safe, to improve water movement control and other projects that the community deems beneficial that are within the Water Code.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed by the District are summarized below:

**Fund Accounting** – The District follows enterprise fund accounting principles as appropriate to local special governmental units of this type.

**Proprietary Funds** – Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent they do not conflict or contradict guidance of the GASB. Governments also have the option of following subsequent private sector guidance for their business type activities and enterprise funds. The District has elected to not follow subsequent private sector guidance.

**Basis of Accounting** – The financial statements reflect accrual basis accounting in which income is recognized when earned and expenses are recognized when incurred. Property and equipment are capitalized and depreciated as discussed below.

**Revenues and Expenses** – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District does not have any operating revenues.

**Property and Equipment** – All property and equipment are valued at historical cost or estimated historical cost if historical cost is not available. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives ranging from five to thirty-eight years. The District does not have any property and equipment.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# LOS TRANCOS COUNTY WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

### 3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 and June 30, 2010 were as follows:

	<u>2011</u>	<u>2010</u>	<u>Rating</u>
Union Bank of California:			
Checking	\$ 7,097	\$ 8,700	NA
Local Agency Investment Fund	<u>226,524</u>	<u>207,496</u>	Not Rated
Total Cash and Investments	<u>\$ 233,621</u>	<u>\$ 216,196</u>	

The California Government Code requires California banks and savings and loan associations to secure a district's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a district's deposits. California law also allows financial institutions to secure a district's deposits by pledging first trust deed mortgage notes having a value of at least 150% of a district's total first trust deed mortgage notes having a value of at least 150% of a district's total deposits. The deposits include uninsured and/or uncollateralized deposits held by trustees for the District.

The District's deposits are insured up to \$250,000 per depositor per bank by Federal Deposit Insurance Corporation (FDIC). The bank balances, before reconciling items, for the checking account at June 30, 2011 and June 30, 2010 were \$7,097 and \$8,700, respectively. Differences between book balances and bank balances are a result of reconciling items such as deposits in transit and outstanding checks. As of June 30, 2011 and June 30, 2010, the District's Union Bank accounts were fully insured by FDIC.

#### External Investment Pool

The District invests in the California State Treasurer's Local Agency Investment Fund (LAIF). LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. As of June 30, 2011 and June 30, 2010, LAIF had approximately \$71 billion and \$71 billion in investments, respectively.

LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost of best estimate for those securities where market value is not readily available. The District's investments with LAIF at June 30, 2011 and June 30, 2010, included a portion of the pooled funds invested in structured notes and asset-backed securities. These investments are described as follows.

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and / or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2011 the District had \$226,524 invested in LAIF, which had invested 5.01% of the pool investments funds in Structured Notes and Asset-Backed Securities. The District valued its investments with LAIF by multiplying its account balance with a fair value factor determined by LAIF. This factor is the result of dividing all LAIF participants' total aggregate fair value (66,489,270,508) by total aggregate amortized cost (66,384,617,119) resulting in a factor of 1.001576470.

# **LOS TRANCOS COUNTY WATER DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010**

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As of June 30, 2010 the District had \$207,496 invested in LAIF, which had invested 5.42% of the pool investments funds in Structured Notes and Asset-Backed Securities. The District valued its investments with LAIF by multiplying its account balance with a fair value factor determined by LAIF. This factor is the result of dividing all LAIF participants' total aggregate fair value (69,555,776,591) by total aggregate amortized cost (69,441,630,091) resulting in a factor of 1.001643776.

### **Marketing Investments to Fair Value (GASB 31)**

Under GASB 31, the District must adjust the carrying value of its investments to reflect their fair market value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year. The District has determined the adjustment to fair market value is immaterial as of both June 30, 2011 and June 30, 2010.

### **4. CHANGES IN LONG-TERM LIABILITIES**

The \$617,762 Loan from Developers does not have scheduled payments due at this time. No payments are due on the loan until thirty-two houses in the Property have been constructed. After such time as 32 houses have been constructed, the District will pay off the loan at the rate of \$9,000 on a quarterly basis of \$2,250. The first payment of \$2,250 will be due at the end of the first full calendar quarter during which at least 32 houses were constructed and are paying for water service for the entire quarter. After such time as thirty-six houses have been constructed, the District will pay off the loan at the rate of \$11,000 per year, on a quarterly basis of \$2,750. The loan is secured by developer fees. The District did not make any loan principle or interest payments for the years ended June 30, 2011 and 2010.

### **5. INSURANCE**

The District carries insurance coverage through Farallon Associates. The insurance policy includes liability coverage in the amount of \$1,000,000 with general aggregate coverage at \$2,000,000 with a deductible of \$5,000. The directors and officers are covered with fiduciary liability in the amount of \$1,000,000 with a \$1,000 deductible.

### **6. REVENUES**

During the fiscal year ended June 30, 2011, the District collected \$276,445 of property tax revenues, of which \$16,739 was property tax revenues from fiscal year ended June 30, 2009.

Analysis of David Smernoff's General Manager Job Description for LTCWD by Mike Ward

Function	Needed?	Secretary	Board members	Contract out	Stan's comments Former secretary auditor role
<b>1. Administrative Responsibilities</b>					
<b>a. Technical Support</b>					
a. Technical Support	Not sure			Hire as needed	None needed
<b>b. Review Policies and Procedures; recommend changes</b>	Yes		Currently do		By board
Website Management	Yes	In job description Done by Mary @\$50/hr	Charlie backfilled		Not done
Resolve technical issues	Not clear to me				What technical issues?
Manage ISP	slightly	Could be done by tech savvy Secrty	Charlie did		Do we really need a CIO?
Maintain District Equipment	yes			s/b done by equipment holder; charged to district	What equipment? Secretary maintained own computer
Maintain District Records print and electronic	yes	in job description			By secretary plus stored by secretary
<b>c. Monitor Contracts and routine expenses</b>					
Audit	yes		Finance Comm	Financial Manager	By secretary
Insurance	yes		Tracy		By board member to negotiate; secretary to communicate any forms that needed to be addressed
Legal	yes		President		
Financial Officer	yes		President		
Secretary	yes				
Other	??				
<b>d. Management of all Elections related activities</b>	yes	In Job description			By secretary
<b>e. Maintenance of district records</b>	in 1.b.v above				By secretary. Secretary stored records too
<b>2. Programmatic Responsibilities for Incentive Programs</b>					
<b>a. Develop standard and consistant policies, forms, reporting mech and marketing tools</b>	Yes; like rebates are sharing; forms, coupon book		Board sub committee	Hire art/publications expert	Program managers
Work with Boards/Committees to achieve goals	No		Done every meeting		Responsibility of sub committee leads
Establish and maintain data base of participating residents	Yes		done committees now		Responsibility of sub committee leads
Provide timely reports to Board and Community	Yes		could be much better		Responsibility of sub committee leads
<b>b. Financial</b>					
Work with financial officer to provide rebate checks	yes		program mgrs, Finance comm		Responsibility of sub committee leads

Track Budgets for each program and program element	yes		Reviewed each Bd mtg	Finance Manager	Responsibility of sub committee leads
<b>c. Interact with residents</b>					
Answer questions about qualifications and program details	yes		That's what we do		Responsibility of sub committee leads
Site visits as needed, pre and post	sometimes		meet our neighbors		Responsibility of sub committee leads
Approve or deny requests	yes		program mgrs		Responsibility of sub committee leads
<b>d. Service Providers</b>					
Develop contractor specifications/RFPs	yes		Program mgrs	with legal counsel	Board
Interview potential contractors	yes		Program mgrs		Board or assign to subcommittee
Manage contractor performance	absolutely/replace as needed		Program mgrs		Responsibility of sub committee leads
Approve or modify invoices	yes		Program mgrs & finance Comm		Board or assign to subcommittee
<b>3. Organizational effectiveness</b>					
a. Analysis of current special district status	Non starter if we lose tax rev				These are the role of the Board, not an employee
a. Analysis of unmet needs and preparation of materials for board review. (e.g. external agency reviews, )	Yes		Tri-annual Survey	Hire survey consultant (Jack Loftis)	These are the role of the Board, not an employee
a. Analysis of need for activation of latent powers or change in status	Maybe			Use legal counsel	These are the role of the Board, not an employee
<b>b Manage Municipal Service Review Process</b>					
Hire and manage specialist to prepare necessary documentation to demo unmet needs of district residents including financial analysis of service delivery	no		Can only be done by experienced Board members		Board
Develop written response to MSR inquiries for Board discussion and approval	yes		ditto		Board
<b>c. Identify opportunities for improvement in all District operations</b>					
	yes		ongoing self analysis		Board

Parting Thoughts from Mike Ward; soon to be emeritus LTCWD board member 3 November, 2011

Changes I've seen in 4 years – (may or may not have been part of) – there are many.

Alignment of direction

New Program that is an excellent size for our district

Lots of processes hammered out and put in place; web site 3 year forecast, budget, quicken, Finance Committee, Policies and Procedures, calendar, . . .

Community communications, 3 year report, two surveys, ad hoc newsletter articles

Major inquiries, (or people poking sticks in our cage) -- MSR, Grand Jury, Newspaper articles.

Thoughts on staying "in business."

I can think of only 4 ways we are liable to fail – and some countervailing ideas.

1. *We get legislated out of business*  
– pretty unlikely, as we are very small
2. *LAFCo closes us down.*  
– again, not too likely, and we are a very active community and I'm sure could muster the 51% written support to overturn this decision
3. *We run out of good projects that provide broad benefit to the community*, within our scope of operations (presently the Water Code).  
-- I think the ones we have now will require several years to deliver all their potential. Others can be created and tested with the community
4. *We run out of willing volunteers to do the work needed to keep projects going.*  
-- A little creative conflict seems to help bring out interest. Filling out our secretary position with a long term person will help retain organizational learning. And hiring help ad hoc now and then will reduce some burden and complexity

Finally, we have a very unique and wonderful stewardship available to us – to manage a small but significant budget at the most local level possible, with tremendous efficiency, effectiveness and leverage. Let us preserve it.

It has been fun, educational with the occasional bit of angst, but again, creative conflict generates new ideas, solutions and directions.

And I got to know some people very well that I probably wouldn't have otherwise.

Thanks, T. Michael Ward