

ARCH CAPE SANITARY DISTRICT DRAFT MINUTES

16 December 2016

A quorum was present.

Sanitary Board: Darr Tindall, President
Ron Schiffman, Vice-President
Debra Birkby, Treasurer
Virginia Birkby

Excused Absent: Casey Short

Sanitary Board: Dan Seiifer (non-voting)

Public:

Staff: Phil Chick, District Manager
Steve Hill, Secretary

Ms. Darr Tindall called the meeting to order at 6:00 pm.

Public Comment: None

Agenda: Ms. Virginia Birkby moved acceptance of the agenda which was seconded by Mr. Schiffman. All in favor (AIF).

Consent Agenda: Ms. Virginia Birkby moved acceptance of the consent agenda incorporating a change on page 2 of the minutes changing Ms. Darr Tindall's vote to 'no', which was seconded by Ms. Debra Birkby. AIF.

Old Business:

2015-16 Audit Draft Presentation – Patrick Carney CPA : Mr. Carney presented the draft reports for both districts to the Board and discussed some suggested changes communicated by Mr. Casey Short (attached). Substantive changes reviewed for the Sanitary District included the end fund balance shown on page 23 and reflection of the Intergovernmental Agreement (IGA) monies received in the Water District as operational revenues on page 9. Vehicle titles were reviewed and Mr. Chick will communicate this information on all vehicles for both districts to Mr. Carney.

Mr. Carney explained the use of depreciation expense to reflect the wasting away of infrastructure assets which will one day need to be replaced.

Non-substantive changes including heading indentation, Board member home addresses and wording revisions were also reviewed.

SDC Financing (Bancroft): Mr. Pat Carney said that he had not seen a loan arrangement for the financing of SDC expense by special districts he had audited. Item moved for discussion next month.

Sanitary Irrigation Leak Policy: It was recommended that the definition of irrigation systems be the same for both districts. Move to next month.

Sanitary Excess Usage Charges Policy: Mr. Hill is to provide the financial impact of prior period excess charges and prepare a report in conjunction with Mr. Chick. Move to next month.

Board Member Duties & Responsibilities: Mr. Seifer accepted an assignment to review SDAO recommendations for board member duties and responsibilities as it would pertain to the districts and present a draft for next month's meeting. He also said he would attempt a draft policy for grants depending upon time availability.

New Business: None

Reports:

Accounts Receivable: Account receivables were reported to be in good condition.

District Manager's Report: (attached)

Treasurer's Report: The accounts were reported by the Treasurer to be up to date and successfully reconciled by Mr. Chick. The Columbia Bank checking account balance at month end was \$155,372 and the LGIP balance to be \$360,735.

Board Comments: Mr. Schiffman reported that he had observed slides involving our watershed roads which had not been repaired by Stimson. Mr. Chick indicated that he had made contact with Ms. Julie Gunder who is the property manager for EcoTrust and he expected their active interest in maintaining the watershed recently acquired.

January Agenda Items: Irrigation and leak policies, Bancroft financing, excess usage charges, Board responsibilities and duties and possibly grants.

Public Comment: None

The meeting was adjourned by Ms. Tindall at 7:17 pm.

Respectfully submitted,

Steve Hill

Attest _____
Ms. Darr Tindall, President

Arch Cape Water & Sanitary Districts
Questions & Comments
2015-16 Audits

Casey Short
December 16, 2016

Most of the questions and comments I noted in reviewing the audits are for clarification – things of little importance that I wanted to understand but didn't. I will note those below. But first I want to call out one item in the Sanitary District audit that appears to be an error. If it is indeed an error, it should be corrected in a final version of the audit that is sent to the Secretary of State and kept for district records. Everything else is pretty much noting typos or asking for clarification of items I don't completely understand. The error needs to be pointed out in the discussion with Mr. Carney, but anything else on this list can be discussed or not, as the boards see fit. It's up to you.

ERROR IN SANITARY DISTRICT AUDIT

The summary of the district's financial performance vs. the budget is on pp. 21-22. On page 21, "Disbursements" are incorrectly shown to have been budgeted for \$720,300; on p. 22, the audit incorrectly includes funds that were budgeted as Unappropriated Balance as part of budgeted contingency. The line "Operating contingencies" has a total of \$284,224 as the budgeted amount, resulting in total budgeted disbursements of \$720,300. However, the \$284,224 figure includes the actual budgeted contingency of \$45,000 AND the unappropriated balance of \$239,224. The budgeted "Operating contingencies" line in the audit should be \$45,000, and Total disbursements should be \$481,076. Please request Mr. Carney to correct this error. Note that this problem is not in the Water District audit.

ITEMS IN BOTH AUDITS

- In various places in both audits there are references to methods of accounting and differences in reporting the financial statements and budget vs. actual. I'll leave it to anybody who might be interested to ask how this all works and what difference it really makes.
- Pp. 7-10 – The summary financial statements included in these pages always confuse me because I'm a budget guy and not an accountant, and there are things in there that I don't deal with like depreciation. There are also categories that confuse me, so I don't spend a lot of time trying to decipher them. I don't know why accountants separate operating activities from "non-capital financing activities," but they do and that's just fine.
- P. 16 – Motor Vehicle is listed in both audits, as an Addition of (\$45,017) in Water and a \$45,017 Deletion in Sanitary. Please explain what this means. Does it have anything to do with our clearing up the district name on the vehicle's title? And why is only one vehicle listed? Don't we have more than one?
- There is an exhaustive discussion of PERS, which I understand is now required by the State of all local governments. I skimmed it but no more.
- Both districts had beginning balances considerably less than what we'd expected in the budgets. Is this the result of changing methods of accounting, in that expenses incurred late in the prior year were booked in that year instead of carrying over to the next year as we used to do?

SANITARY DISTRICT

- Pp. 11-12 – On page 11, the first line under “Basis of Presentation” says “[t]he accounts of the District are organized and operated on the basis of a single proprietary fund, . . .” (emphasis added). The second line on the next page, however, refers to proprietary funds, and later in the fifth paragraph in this section, refers to “the following two funds.” I’m confused – what does this mean? In my view, we have two funds: General Fund and Capital Fund, and I don’t get how two funds become one “proprietary” fund which is referred to later as proprietary funds.
- P. 13 – A picky point. First line under “Capital Assets”: “Capital assets, which include property, *water* system and equipment” Should this say *sewer* system?
- P. 21 - This gets me back on more comfortable ground: what did the district spend and what did it bring in? Setting aside the error discussed above, note that the district began the year on July 1, 2015 with \$50,829 less than we expected to have according to the budget. In fact, we ended 2015-16 with almost the same amount we expected to prior year with. While we were some \$44,000 to the good at year-end, we didn’t start the year as flush as expected. Is this the result of a change in accounting method, as noted above in the last bullet under both districts?
- Last thing: Just note that while the Water District has one debt obligation outstanding, Sanitary has four (five if you count both obligations for the plant upgrade, paid with property taxes). I’m hoping we can bring this down in coming years.

WATER DISTRICT

- P. 6 – Under “Results of Operations,” the first line reads, “During 2015-16 the District received more expended more resources than it received, . . .” The words “received more” should be deleted.
- P. 16 – Following the discussion of “Custodial Credit Risk – Deposits” beginning on page 15, after the table with total cash and investments, there are three more paragraphs that look very much like the preceding discussion of the State of Oregon LGIP, only the page 16 discussion refers to the “State Treasurer’s Local Government Investment Pool.” Is this really something different or is this seemingly repetitive discussion merely a scrivener’s error? (This extra couple of paragraphs is not in the Sanitary District audit.)
- P. 25 –The Water District drew down its reserves by \$110,900, to end the year with a balance of \$57,205. Bear in mind that Water had negative cash flow in 2015-16 because of the early payment of debt to the tune of \$140,000. Without that, there would have been a surplus of \$29,100.
- P. 26 – Note in the Budgeted Amounts columns that the Board moved \$7,000 from contingency late in the year to cover debt service requirements. This was needed to avoid a violation of budget law by overspending a budgeted spending category.

Manager Report December 16, 2016

SANITARY:

November rainfall totaled 25.8” The wastewater plant treated 8 million gallons of water.

Biosolids work has been completed.

The Biosolids and Reclaimed Water Use Plans have been updated for DEQ for our permit renewal process. We should have our new NPDES permit by the spring, and at this time anticipate no changes to our existing permit.

Matt attended a Kubota membrane operation seminar at Spirit Mt Casino, receiving a tour of Spirit Mt’s treatment facility. The class brought operators of several Kubota membrane plants together to focus on operation and maintenance of these plants. Kubota is aware that we will be in the market for membrane replacement sometime within the next 3-5 years, and has extended a very service-oriented relationship to us in the past year.

C-More Pipe Service did some camera work for us in Castle Rock Estates, locating a lateral for a new home under construction, as well as examined a manhole that will need some grouting work.