

**MINUTES
MOAPA VALLEY WATER DISTRICT
BOARD OF BOARD MEETING
HELD
FRIDAY, DECEMBER 2, 2011**

PRESENT: Kenneth Staton
Jonathan Blackwell
Randy Tobler

Joe Davis
Bryan Mortensen

Byron Mills

Vernon Robison, MV Progress
Chad Atkinson, Hinton Burdick Hall & Spilker

Lindsey Dalley
Scott Carson

Susan Rose
Jeannie Poynor

Ryan Wheeler, Forsgren Associates
Leonard DeJoria

ORDER OF BUSINESS: At 4:00 p.m., Chairman Ken Staton called to order the regular meeting of the Moapa Valley Water District Board of Directors. The agenda items were addressed in the following order:

1. **Public Comment (May be limited to five minutes)**
2. **Approval of the Minutes of the Previous Meeting held November 17, 2011 (for possible action)**

On motion of Lindsey Dalley and seconded by Randy Tobler, the Board voted 4-0 in favor to approve the minutes of the previous meeting.

Jon Blackwell came into the meeting at 4:05 pm.

5. **Approval to change 1" and smaller meters with two residences on one meter from the R3 rate class to the R2 standard residential rate (for possible action)**

During the last Board meeting staff was instructed to research the R3 (two residences on the same meter) user rate. They were also asked to report back on the current policy and the financial impacts if any with enforcing this policy.

Joe Davis explained that at the June 13, 1979 Board meeting, staff was directed to charge \$18 a month for three trailers or less and \$25 a month minimum for all those that have over three trailers. At that time we had limited resources but we have plenty of resources right now.

There are currently 99 meters on the R3 rate code with a base rate is \$45.04/month. If we decide to do away with that rate code, we would have a reduction in revenues of \$1400.24/month which equates to \$16,802.88/year. These numbers are based on 1" and smaller meters.

On motion of Scott Carson and seconded by Lindsey Dalley, the Board voted 5-0 in favor to change 1" and smaller meters with two residences on one meter from the R3 rate class to the R2 standard residential rate.

3. **Presentation of the FY11 audit – Hinton Burdick Hall & Spilker (for possible action)**

Chad Atkinson was at the meeting to go over the FY11 Final Budget with the Directors. Copies were available for the Directors review.

He explained that there were three or four people that worked on our audit and one of them was Tani Alger. She wanted Chad to make sure that he told the Directors that there has been some good improvement in the financial accounting and control from the prior year. There were some

findings that were cleared up from previous years so improvement is continuing and that's something the auditors like to see.

Chad talked about the financial results, on page 11 of the final budget in the Statement of Revenues, Expenses and Changes in Net Assets. Operating revenues were up about \$217,000 from the previous year. A lot of that had to do with the SNWA contract that we have. There was a decrease in water use fees but the SNWA contract actually provided an increase. Operating expenses were up and that was also due to the SNWA contract. As long as the SNWA contract has more revenues than expenses, we will be in good shape. Last year the net operating income was at \$710,960; this year is \$495,936. Chad thinks that the District is doing well. He sees a lot of organizations that are struggling right now.

Lindsey Dalley asked what MVWD is doing differently than other companies. Chad explained that we fund depreciation. That's why other companies are usually running at a loss. Overall, cash flows are still increasing because depreciation is a non-cash item. In our case, our operating revenues are covering our depreciation on the system so down the road we should have resources available to replace things when they break. That's the big difference that he sees.

Scott Carson asked what the single biggest area was that we improved in from last year as far as controls and financial processes go. Chad said that there was a finding in our material accounting last year that was cleared up. In the previous year there was a prior year adjustment on some grant revenues and expenses which was cleared up during 2011 so things have improved in the grant accounting. He has heard from his audit staff that overall things are improving.

Next Chad covered some non-operating things that are on the statements. There was a refund of impact fees to TTW Holdings. Chad explained that the donation expense for \$2.3 million is for grant revenue the District received to build a portion of the SNWA pipeline. That grant was used and received by the District. Everything was billed out and then was turned back over to SNWA. Bryan Mortensen explained that the grant was for the dechlorination facility at Bowman and the intermediate booster station in the Narrows.

Randy had a couple of questions for Chad. He is concerned about the credit risk that the auditors have in their findings. He explained that previously in Board meetings the Directors have asked about that and were told that what isn't covered by FDIC is collateralized. Chad said that of our \$4.7 million balance, \$4,430 is at risk. This is something that needs to be reevaluated periodically.

Randy's asked about our internal controls which, was also brought up in our last audit. The auditors feel that we need to have more separation of duties which is something that is hard for us to do because we are such a small district. Randy asked what the auditors suggested we do since hiring someone isn't really feasible.

Jeannie Poynor explained that since she has been put into the mix, there has been some separation of duties. Tani Alger had said that they don't want the person who works at the front counter to have anything to do with the billing. Doing that just isn't feasible for us. Chad said that there are three duties that need to be separated but he understands that it's really hard for us to do that with lunch hours and things like that. Tani still feels like there's a risk there. A lot of times this finding is in the audit every year for smaller organizations because of the nature of being small. Chad thinks that if we were to work with Tani we could develop a plan to resolve this issue. Randy would like for us to try to do that. If something happens in the future we have at least been trying to resolve the issue.

Lindsey asked that Chad let Jeannie, Joe and the Directors know what to look for to make sure the District is protected.

Randy's second question was about the Significant Deficiencies in section 08-04. Chad explained that this was something that was changed quite a few years ago. It was changed to say that each organization should have someone in house that can do the financial statements themselves. If the organization doesn't have someone that can do that, then there should be a finding in the audit that says it's a material weakness not a significant deficiency. He said a few years later they backed off and said that the requirement was unrealistic for small organizations that don't have a CPA on staff. Hinton Burdick has been down grading that as they have been allowed to. Chad

hasn't worked with Ken or our accounting staff so he's not sure what their level of expertise is and their ability to prepare the whole statement. Tani felt like there was still a risk here but this is another one that Chad thinks that if we would work closely with them we could overcome it by taking some other precautionary measures. There's a reference to a financial statement disclosure checklist in the final audit. This checklist has everything on it that needs to be in the financial statement. They could provide that checklist to Ken and if he can fill it out and get it right then this finding would have to go away.

Randy would like to see that done also. He thinks smaller organizations should have someone on staff that has accounting experience. He feels like the Board should invest some money into getting Ken some education. Chad explained that Hinton Burdick provides a free seminar every year which Ken is invited to. The seminar is a six hour seminar and they go over things just like this. Chad said they can work closely with Ken this year and if he can demonstrate that his expertise meets the criteria then they can take it out of next year's audit.

Chad had some graphs with the last four years trends on them which he provided to each of the Directors. He explained that on the 1st graph the top line was total cash and the bottom line was unrestricted cash. We have a fairly healthy cash balance which is indicative of our financial condition. The graph shows that we have some resources set aside.

Lindsey asked why we had the big drop in 2010 and Chad explained that we paid off the loan to OPD for our office.

The second page shows operating revenues and expenses. He likes to look at the lines together because you can see whether operating expenses are getting close to operating revenues. In our case they are closing in on each other but still there's some distance there. It's a good healthy distance. In a lot of the organizations the lines are flip flopped.

The last graph is our cash flow from operations. Cash flow from operations is the top line and the bottom line is the debt payments we made. He feels we're doing a good job in this area.

Under the cover is the Opinion Letter which says that says Hinton Burdick has issued an unqualified opinion. That means they have a clean opinion on the financial statements as they are presented. Page 34 is the report on internal controls and compliance. This lists out any issues that they find in our internal control structure which has already been talked about. Compliance Issues are on page 35. There were a couple of issues but they were small things. The Findings are on page 37. Segregation of duties has already been covered. After the auditors get everything done on the audit, they post adjustments and then go through all of them to see if any of them are significant. If they're small enough they can say they're not material. At the end of this year's audit they found a significant amount of journal entries and the amounts were significant. He said that our accounting people need to understand the journal entries and the accounting principles behind them and then work to resolve those issues in the future. What the auditors would like to see are adjustments that are insignificant in nature.

There were two compliance issues. The first one is an easy one for the Board to knock off. 08-02 is basically saying that we need to designate someone in our organization to be over the capital assets. We also need to designate someone to be over property and equipment and inform the NV Department of Taxation who that person is. Susan Rose explained that this has been done. The General Manager was designated as that person last December but the Dept. of Taxation was not notified of it. That has since been done.

The last one was the Plan of Correction of Violations. We are supposed to submit the plan to the NV Department of Taxation and that wasn't done last fiscal year. When we prepare the Plan of Correction for this fiscal year we need to make sure we send it to them.

Byron Mills recommended putting this on the agenda in a couple of months to see if staff has accomplished the things that have been recommended by the auditors.

On motion of Chairman Ken Staton and seconded by Jon Blackwell, the Board voted 5-0 in favor to approve the audit for FY11.

4. **Accept the bid from Scholzen Products in the amount of \$74,040.55 for quote #11-16, waterworks supplies for Omer Street & Gann Street (for possible action)**

Joseph Davis explained that we advertised in the paper for bids for materials for the small main projects we are doing this fiscal year. We had \$180,000 budgeted for the projects. The first phase will be Omer and Gann Streets. Gann Street will cover Doty and Leavitt Streets also.

We received three bids. They were from Mountainland Supply, Dana Kepner and Scholzen Products. Dan Kepner was actually the lowest bid. They beat Scholzen Products by \$1000. We have had problems with Dana Kepner in some of our past dealings with them. They have sent us the wrong materials numerous times. Joe used to do all the ordering but Dan Bevan is now over that. He is experiencing the same problems with them that Joe had. It takes a lot of man time to follow up on materials we don't receive and getting the right materials after receiving the wrong ones. This is an extensive bid with a lot of products that need to be supplied. The orders we have placed with Dana Kepner have been smaller orders and they still haven't been able to get them right.

After speaking with other members of the staff, Joe recommended going with Scholzen Products.

Byron Mills reminded the Directors that they don't have to go with the lowest bid; they can go with the best bid.

Joe said that Scholzen delivers here three times a week. They have a huge truck out here on Tuesday and Thursday and their circuit rider is out here at least once a week.

On motion of Lindsey Dalley and seconded by Randy Tobler, the Board voted 5-0 in favor to accept the bid from Scholzen products in the amount of \$74,040.55 for quote #11-16, Omer Street and Gann Street waterworks supplies.

6. **Director's Preference**

- **Litigation Update**

Byron said that he didn't really have much to report. He asked Joe if they had contacted him about testing the pipe. Joe hasn't heard from anyone. Byron explained they want to get things rolling. They are going to have a big meeting/court conference to reschedule the trial dates and things like that. They haven't reported back to him on whether that has taken place. The next step will be for them to contact us to test the pipe. They will send people down to do the testing. They had told him it was going to happen the week after he spoke with them. He asked them to contact Joe directly about testing the pipe.

Randy Tobler asked if anyone had looked into the bank charges yet. He would like to know what we're paying. Jeannie Poyner explained that we are on analysis so we don't get charged as long as we keep a certain amount of money in the bank.

Byron asked Randy if he wanted Jeannie to check into some other banks and their fees. Jeannie explained that we had looked into it a few years ago but she said she would check into it again.

Joe wanted to let the Directors know that the MV Blvd project is scheduled for January 2nd. It is going to take a couple of weeks to get the dust permit and the bonding which will put it around Christmas time so we're going to wait until January to start the project.

12. **Personnel- Closed Door Session**

Employee Christmas Bonus

On motion of Chairman Ken Staton and seconded by Jon Blackwell, the Board voted 5-0 in favor to give each employee a \$400 Christmas Bonus.

13. **Approval of the January 12, 2012 Board Meeting**

The general consensus was to hold the next Board meeting on January 12, 2012.

14. Public Comment (May be limited to five minutes)

15. Adjournment

The meeting adjourned at 5 pm.