

**SEELEY LAKE WATER DISTRICT**  
**MONTHLY BOARD MEETING**

April 26, 2018

**Attendance:**

Charlie Hahn	President	<b>PRESENT</b>
Todd Johnson	Vice President	<b>PRESENT</b>
Kris Martin	Director	<b>PRESENT</b>
Chris Lorentz	Director	<b>PRESENT</b>
Freda Grimes	Director	<b>PRESENT</b>
Vincent Chappell	General Manager	<b>PRESENT</b>
Felicity Derry	Office Manager	<b>PRESENT</b>
Tammy Lewis	Operator	<b>PRESENT</b>

**OPENING:**

The meeting was brought to order at 5:32pm at the water plant, 281 Rice Ridge Road, Seeley Lake, MT.

**PUBLIC COMMENTS:**

None

**MINUTES:**

February 18, 2018

The minutes for the board meeting held on February 18, 2018 were presented to the Board for review.

Lorentz moved to accept the February 18, 2018 minutes as presented. Grimes seconded the motion, which was then passed.

**FINANCIAL REPORTS:**

JCCS

Drew Rieker noted that in 2017 Montana changed the audit requirement rule raising the threshold to \$750,000. The District was below that, and probably would be for the foreseeable future. Therefore, the District had chosen an agreed upon procedure engagement instead of an audit, which cut out the red tape of an audit. The financial statements were reviewed with the focus on the cash receipts and disbursements, which were a fraud risk. Errors could be corrected, but fraud could not be reversed. Johnson noted that the Board had discussed having an audit every three or four years and thought that it would be prudent when dealing with public money, and asked what Drew Rieker's opinion was. Drew Rieker replied that it was up to the Board. An audit reviewed the controls and daily procedures. It had much more testing and work on the financial reports. It was common for organizations that did not require an audit to have an audit every three or four years. Martin asked if it was much more expensive. Derry replied that an audit cost \$8,400 as opposed to \$3,500. Johnson thought that a periodic audit was a good idea.

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Drew Rieker informed the Board that the focus was on fraud but the normal journal entries were made. The letter stated that an audit was not performed and the procedures that were performed were agreed upon. There were four procedures. The first two reconciled all the of the deposits to the bank with QuickBooks. There was a small variance of \$134 that appeared in January, 2018. It was a square payment that hit the books the end of December 2017 and was recorded in QuickBooks in January 2018. It did reverse out, it was explainable, so there were no issues. The bank reconciliation was reviewed to make sure it agreed with the bank statements and the QuickBooks file. The same \$134 deposit showed up but otherwise it all worked out very well. Procedure three reviewed cash disbursements. Forty disbursements were sampled. There were two variances. One was a missing credit card receipt. The payment could be traced on the statement, but without the receipt what was actually purchased could not be verified. Chappell noted that it was a purchase of clothing and a Christmas gift for which he had unfortunately misplaced the receipt. Drew Rieker said that the second variance was a coding error and not significant. There was a \$940 expense of which \$341 was reimbursed by Chappell to the District. The reimbursed amount was applied to a different account. Procedure four was a predictive test of revenue, which was within 4% of the total debt retirement revenue and 3% of total water sales. Procedure five was a test of controls. One of the biggest controls by the Board was the review of the BlackMountain reports. The monthly Board review of the adjustments and other reports was critical. During testing the months of June, July and August were not in the filed packets, but the reports were discussed in the minutes. So, it could be verified that they had been reviewed but the documentation was inconsistent. The recommendation was to document the review in the minutes. Chappell showed Drew Rieker the form that would be included with the financial reports each month moving forward. Drew Rieker said that it would be a great way to document it as well as to ensure nothing was missed. Johnson said that he would review them at the meeting so it would be in the minutes.

Drew Rieker concluded that there were no major issues, the receipt was the only thing that would have come up in an audit. Everything looked really clean. The District did a really good job with the books. The Board discussed credit card receipts.

### February 2018

Johnson said that he had reviewed the financials with Chappell yesterday. The Water Sales were \$16,000 which was typical. There had not been much other income. The Accounting expense reflected the JCCS invoice. There were some pumps, snow plowing and fire hydrant flags in Repairs & Maintenance. The expenses were \$28,000. Operations had a loss of \$10,000. When debt retirement was included there was a \$3,000 profit. There was a transfer of approximately \$20,000 from the capital projects account to the checking account to cover some operating expenses such as chemicals. Chappell noted that the chlorine would last through the year and the polymer would last four to six months depending on the flow. This kind of transfer was unusual but in the past that had been done every winter. Unfortunately, several large expenses coincided. It would be transferred back when sufficient funds were available. Johnson noted that accounts payable was down from January. The BlackMountain adjustments totaled \$73.83, which was mainly for refunds on accounts when the properties had been sold. The checking account bank statement was reviewed and all of the checks had two signatures. The statements for the capital projects and debt service accounts were also reviewed and were in order. The check detail was reviewed and there was nothing out of the ordinary.

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The credit card statement reflected some expenses that Chappell had from the conference. Chappell's expenses were \$450 out of approximately \$2,600. Chappell had written a check to reimburse the District for those expenses.

### March 2018

Johnson noted that the Water Sales were about the same at \$16,000. Total income for the month was \$18,000. Expenses were down a little at \$22,000. Operations had a loss of approximately \$4,000. When Debt Retirement was included there was a profit of \$9,500. The Debt Services account transfer was not made in March, so there would be a double transfer on the next statement. Accounts payable was lower again.

The BlackMountain adjustments totaled \$63.75. Chappell noted that the only unusual adjustment was that the Medical Center had bypassed their meter again, so the meter showed zero. Lewis added that zip ties had to be broken and flagging ignored in order to do it. The Medical Center said nobody had been up there. If it happened again, they would be made to remove the bypass. Johnson said that there was nothing unusual in the check detail. All of the checks had two signatures. The checking, capital projects and debt service accounts bank statements were reviewed and all looked good. The credit card statement looked fine. Chappell had some more conference expenses which he had reimbursed the District for.

Lorentz moved to accept the February and March 2018 Financial Reports as presented. Martin seconded the motion, which was then passed.

## **DELINQUENCY REPORT:**

### April 2018

The Board reviewed the April 2018 Delinquency Report. The debt service billing policy was discussed. The question of requiring landlords to keep the water bill in their name and not in the renter's name was raised and discussed. The Board requested that a note regarding this be put on the next bill.

Lorentz moved to accept the April 2018 Delinquency Report. Martin seconded the motion, which was then passed.

## **OPERATIONS REPORT:**

### March & April 2018

Chappell informed the Board that routine maintenance was performed. Pipes were cleaned and painted. There were numerous false reports of water leaks that stemmed from springs and snow melt. Chappell took a week off. Lewis also took some time off. While Chappell was off Lewis found that the mainline between the pumphouse and the Forest Service had split again. Lewis was awesome. She found the leak and fixed it. This was the fourth time that line had broken and he suspected that the ground was shifting. It was a 6" ductile iron pipe that was installed in 1968. Chappell would review what it would take to replace the line. The Forest Service required that it was a ductile iron pipe. It was not a service line and was on their property. The leak was before their meter. Chappell

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would discuss it with them. Lewis added that she and Derry did the repair and it went very well. Because of the location and the snow, they brought the tools in a sled. Chappell was very happy with the crew, they fixed it, did not call him and made sure he did not get the emergency locate. They did an awesome job.

The water loss was at 24%. There was an issue out there. 70% of the loss was in the main portion of town. Chappell had started leak detection while the weather was nice and found one faulty shut off which had been fixed.

Martin moved to accept the March & April 2018 Operations Report. Lorentz seconded the motion, which was then passed.

## **OLD BUSINESS:**

### Reviewing Policy Manual, Old & New Material – Taking Public Comment

Chappell said that he had reviewed it with Hahn. Lorentz requested that it be emailed to him. The Board should review it and then it could go to the public.

## **NEW BUSINESS:**

### SCADA

Chappell said that last summer the computers in the office were updated with the exception of the SCADA computer that was connected to the UV equipment, etc. The SCADA program also needed to be updated. The number used in the budget was \$12,000, which was the number that the company had told him. However, the figure in the proposal was \$31,500. Johnson said that given the amount there should be more than one bid. The Board was concerned that the amount had increased substantially. Chappell said that he would get another bid and tabled the item.

### Generator Maintenance

Chappell said that the generators had not be serviced for a while since the District parted ways with the old company, TWE. The District had received proposals from a couple of other companies. The numbers were fairly close. Chappell proposed to use Western States Cat. Routine maintenance would cost approximately \$1,000 each year for each of the large generators. A load bank test was an extra \$500-\$600. Routine maintenance for the small generators was \$430 each. The Board agreed to use Western States Cat for the generator maintenance.

### Meters

Chappell said that there was \$20,000 in the budget to update the computer and the handheld. The handheld had failed. The computer was the only way to read meters and it was slowly going downhill. It could not be updated. To update the laptop, the handheld and the software would cost \$30,000 plus. Badger had got the District a couple of times already. If the District spent \$30,000 to update the reading equipment then that would be the system they stayed with for a while. The radios on the meters had a battery life of 15-20 years. The District was to the point where a maintenance program should be started to replace 100 radios a year. The radios had to be sent to Badger to be replaced.

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Lewis added that Badger no longer serviced them, so you would have to update to the cellular version. Chappell said that the meter was a mechanical chamber and over time they wore out decreasing efficiency. The water loss had slowly started climbing. Lewis added that in five years the meters lose 10% efficiency. Johnson asked Chappell to develop three different scenarios with the advantages and disadvantages for each and the cost. The District had the money. Chappell brought this up to the Board because more than likely the scenario would be to replace everything in town. Lewis added that the Badger representative said that we could still be running the old system. When the batteries run out you would still have to switch and would need reading equipment for both platforms. Derry created a chart showing that the water loss had started to creep up from 2014. When Chappell first arrived, the meters were cleaned, checked and put back out. So, some of the equipment was old back then. Lewis added that they did not pick up low flow. There was new technology that had been around for 15-20 years that picked up low flow. Unlike the mechanical meters they had no moving parts. Chappell said that they would do some more research and get some proposals.

### Bond Payments

Chappell noted that Johnson had requested information on the last bond paydown. Derry had put that information together. They were paid down in 2013 & 2017. Chappell would propose that the District not make an extra payment for a little while because of the last discussion. Johnson said that he thought the Board should discuss it each year. Discussion of the previous extra payment followed.

### **CORRESPONDENCE:**

#### E.L. Taylor

Chappell said that the carwash had a broken pipe. The water was shut off immediately and it had not been open since. They were out of town. He requested a write off of \$195.00. This was his first write off request.

Johnson moved to approve the leak adjustment of \$195.00/84,747 gallons and to send the usual letter. Martin seconded the motion, which was then passed.

#### Tim Dennison

Chappell said that they had a yard hydrant that had broken underground. Lewis added that it broke the day after she read meters and it was caught when she read meters the following month. It did not show on the chlorine station because it was not a large enough leak to show in the south section. They immediately dug it up and fixed it. They had not had a write off previously.

Lorentz moved to approve the leak adjustment of \$304.75/131,928 gallons and to send the usual letter. Grimes seconded the motion, which was then passed.

Chappell said that Rovero's had a leak but did not request a write off. The snow that was shoveled off their roof and it hit the hydrant which snapped. It was under the snow and could not be seen. 200,000 leaked before it was discovered.

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**NEXT SCHEDULED MEETING:**

The next Board meeting was scheduled for May 25, 2018.

**ADJOURNMENT:**

Johnson adjourned the meeting at 6:54pm.

Attest:

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Charlie Hahn, President

-And-

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Vince Chappell, General Manager