

INSCRIPTION CANYON RANCH SANITARY DISTRICT

P.O. Box 215 Chino Valley, AZ 86323

**PUBLIC SESSION
~MINUTES~**

Approved 5/1/12

January 20, 2012

Date: Friday January 20, 2011

Time: 9:00 a.m.

Place: Days Inn Conference Room 1, 688 Fletcher Court, Chino Valley, AZ 86323

1. CALL TO ORDER.

The Governing Board for the Inscription Canyon Ranch Sanitary District convened into public session at approximately 9:00 a.m.

2. ROLL CALL.

Bob Hilb, Chairman; Brian Ray, Board Member; Scott Robbins, Board Member; Bob Busch, District Manager; Isabel Yribe, District Clerk; Bill Whittington, Legal Counsel; and the following audience members according to the sign in sheet:

Bruce Eldredge	Charles O'Brien
Alyx Cohan	Paula Green
Gene Leasure	Jeffrey Gautreaux
Clint Poteet	John Freeman
Dayne Taylor	

3. ACCOUNTANT REPORT *Mr. Eldredge gave a recap of the financial statements that were discussed at a previous meeting. Alyx Cohan helped with the explanation of items as she worked with Mr. Eldredge on this matter.*

1. Discussion of revised November 2011 financial report and the classification of legal costs: *The attorney's fees were re-categorized/broken down into 3 specific areas as requested by the District Board Members.*
2. Discussion of December 2011 financial report. *Financial service balance sheet, income/expense and budget sheet were presented for Board Review.*
3. Discussion of adjustments to financial reports as a result of the Year Ending June. *Adjustments were made to reflect audit adjustments as identified by Alyx Cohan*
 - **Dayne Taylor** wanted to know what the smaller numbers on the right hand column of the financial reports were. *Mr. Eldredge stated that these were a percentage of total income and expense.*
 - **Gene Leasure** asked if they were a percentage of the budget. *Mr. Eldredge stated that they were not.*

4. MANAGERS REPORT

1. Discussion of status of RFP's from engineering firms for services as District Engineer
Mr. Busch discussed proposals from two engineering forms; Civil Tech and Granite Basin Engineering. He stated that both firms were qualified to perform the functions that ICRSD needed and the only real difference was in cost. Civil Tech was lower in price than Granite Basin on one task but did not have a price on other tasks. Both firms submitted proposals to the District with the scope of work to be performed. Mr. Busch stated that he had no preference on either company. Mr. Whittington and Mr. Busch engaged in a conversation regarding the contracts for these firms. It was understood by Mr. Whittington that Mr. Busch wanted him to review the contract and amend it where and if necessary. Mr. Whittington did state that he had several modifications according to State Statute. Mr. Hilb stated that it was his understanding that during a previous meeting Mr. Whittington would provide the District with general addendum for any future contracts. This was so that the District could keep its costs down and not have to engage Counsel on a simple matter. Mr. Whittington stated that larger contracts should be reviewed as more was at stake.
 - **Charles O'Brien** spoke on his agreement with Mr. Whittington to review the larger contracts as it might affect the future costs to the District and its residents.
2. Latest operating data from the treatment plant. *Mr. Busch stated that a battery was replaced for a generator and some supplies were purchased for the daily maintenance of the plant. Mr. Busch stated that the average daily flow for the entire year of 2011 was 34,912 gallons per day which was slightly under 56% of plant capacity. The lowest daily flow occurred in February at 22,000 gallons per day and the highest daily flow occurred in July at 53,000 gallons per day.*
3. Status of resumption of maintenance of Talking Rock and Whispering Canyon collection systems. *Mr. Busch stated that this item is done. He also stated that A Quality was very appreciative of the District for allowing them to operate in a professional manner.*

In addition to the Managers report Mr. Busch asked for the Board Members submit their reimbursement requests so that it could be put on a future agenda. To date he has yet to receive any reimbursement requests.

- **Dayne Taylor** stated that there were conditions at the plant that The Board Members need to be aware of. He stated that on the 25th of December, this past Tuesday, and last Thursday that it was very apparent that there was raw sewage flowing somewhere. He stated that he was going to file information with the A.D.E.Q. *Mr. Hilb stated that this item was not on the agenda and that Mr. Taylor could bring it up during a call to the public.*
- **Charles O'Brien** stated his concerns regarding the two engineering firms who submitted proposals. He asked Mr. Hilb if either of these firms had a previous relationship to Harvard. He stated that activities that they were engaged in were potentially adverse to the interests of the District. *Mr. Hilb stated that this item was not on the agenda and Mr. O'Brien could bring it up during the call to the public.*

- **Bill Whittington** asked if his office had provided the information that Mr. Busch needed regarding the breakdown of his fees. *Mr. Busch stated that he was in contact with Mr. Whittington's office and if he needed anything, he'd let him know.*

5. CALL TO THE PUBLIC

- **Jeffrey Gautreaux** stated that he was Counsel for The Preserve. He also stated that The Preserve's position on the Settlement Agreement resulting from the MOU was pretty straight forward and if anyone had any questions for him he'd be happy to answer them.

6. POSSIBLE VOTE TO GO INTO EXECUTIVE SESSION Bob Hilb made a motion to go into Executive Session. Brian Ray seconded the motion. During the discussion Alyx Cohan asked when she was going to give her presentation, as she had time constraints. The motion was withdrawn. Mr. Hilb made a motion to move item 8a out of order and discuss now. Mr. Robbins seconded the motion. The motion passed unanimously.

7. AUDIT Alyx Cohan, C.P.A

Ms. Cohan stated that the scope of her audit encompassed 7/1/10 to 6/30/11.

She stated that the District should provide her with a signed Management Representation letter so that she can issue the final report. The deadline for that would be February 18, 2012. She also recommended that they include a prior year to date column as a benchmark in financial reports.

- **Note 1 Financial Statements:** Ms. Cohan wanted to make sure that she had the appropriate accounting policies and that nothing had been changed. She asked that the District Board Members read it in its entirety.
- **Note 2 Policies and Procedures** had to be read in their entirety and verified as true and correct any discrepancies could be reported to Bruce Eldredge.

Her recommendations are as follows:

1. **Recognition of Ad Valorem tax.** There was no internal control to verify that an Ad Valorem Tax was accounted for in the appropriate period. She stated that her and Bruce Eldredge had talked about it and were working on that.
2. **Improve Management of oversight and fixed asset schedule:** She said that she use the previous accounting firm/auditors depreciation schedule. It was missing \$109,000 in fixed assets that were not included in the total. She had to work to fix that. She stated that she was aware that this discrepancy was not under this particular Board but it was her responsibility to give her report on her findings regardless.
 - **Charles O'Brien** asked what standards Ms. Cohan was using. *Ms. Cohan gave a brief description of the methodology she used.*
3. **Contract Administration.** *Ms. Cohan stated that during this time frame, there were contracts that were missing or contracts that were not fully signed. She stated that it clearly wasn't the case. She was aware that the Board now had Legal Counsel to help with that matter. Mr. Hilb also stated that the previous Board Members had failed to give them all of the records during their tenure and*

wondered if the District needed to turn those in and asked if it would make a difference. Ms. Cohan stated that she was able to finish her audit with supporting documents she reviewed.

4. Improved controls over Cash disbursement. Ms. Cohan stated that all expenses needed to be approved by either the District Manager or a Board Member. She also stated that this was being practiced now.
 5. Review of Bank Reconciliations. Ms Cohan stated that the prior process was for the prior accounting firm to review the reconciliation and then it would be put into a file. She stated that someone other than the accounting firm should be looking at these bank reconciliations as well.
 6. Fraud Risk Assessments. Ms. Cohan stated that the Board or a member of the Board should sit down and identify the potential risks for fraud.
- 8. POSSIBLE VOTE TO GO INTO EXECUTIVE SESSION** Bob Hilb made a motion to go into Executive Session FOR:
- Discussion or consultation for legal advice with the attorneys of the Inscription Canyon Ranch Sanitary District pursuant to A.R.S. Section 38-431.03.(A)(3) and discussion or consultation with the attorneys of the Inscription Canyon Ranch Sanitary District in order to consider its position and instruct its attorneys regarding the District's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation pursuant to A.R.S. Section 38-431.03.(A)(4) re:
- A. MDI Taxes & Accounting contract for billing and accounting services.
 - B. Missing and unaccounted for records and documents, property of the District, that has not been produced by the previous District Board members.
 - C. Proposed procedure for collection of unpaid user fees, late fees and interest charges in connection with user fee billings of September and October 2011 including placing liens on property with balances more than 90 days.
 - D. Claims by the District for attorneys' fees.
 - E. Possible accommodations under the Americans with Disabilities Act as a result of a request by Mr. Charles O'Brien.
 - F. Proposed Amended and Restated Development Agreement between the District and developers (Talking Rock and Whispering Canyon) and the associated Memorandum of Understanding (MOU) executed by the parties.
 - G. Proposed Settlement Agreement between the District and developers of The Preserve and the associated MOU executed by the parties.
 - H. Proposed resolution regarding the adoption of copy fees and an associated amendment to Article II, Section 217 of Ordinance 2008-1.
 - I. Correction to Resolution 2011-4, Amendment No. 1 to Ordinance 2008-1 approved in the Public Meeting on December 29th as a Schedule of Fees.
- Scott Robbins seconded the motion. The motion passed unanimously without discussion.
- 7. RECONVENE INTO PUBLIC SESSION** at approximately 1:10 p.m.
- 8. DISCUSSION AND POSSIBLE ACTION RE:**

- A. MDI Taxes & Accounting contract for billing and accounting services.** Scott Robbins made a motion that the final draft of the contract for MDI be tendered and executed for approval. Brian Ray seconded the motion. The following discussion ensued.
- **Dayne Taylor** asked if MDI had been operating without a contract for the past 5 ½ months. He also wanted to know when it would be available for public review. *Mr. Hilb stated that the previous agreement had to be ratified and has been in place. Mr. Hilb stated that once the document was approved, it would be available for the public. An information request form would have to be filled out.*
The motion passed unanimously. *Mr. Busch asked if the request was something he would be taking care of. Mr. Hilb stated that he would do it. Mr. Whittington then stated that the Manager should be handling these types of matters.*
- B. Missing and unaccounted for records and documents, property of the District, that has not been produced by the previous District Board members.** There is no action needed on this item.
- C. Proposed procedure for collection of unpaid user fees, late fees and interest charges in connection with user fee billings of September and October 2011 including placing liens on property with balances more than 90 days.** This matter still has to be reviewed by Counsel. This item was tabled by Mr. Hilb.
- D. Claims by the District for attorneys' fees.** Mr. Hilb made a motion to authorize E.J. Kotalik to accept the unconditional tender of \$5000 from the insurance company and more specifically with the conditions that were put forth in an email from Mr. Collins on January 17, 2012. Scott Robbins seconded the motion. The motion passed unanimously. Mr. Hilb made another motion to authorize E.J. Kotalik to proceed with a claim for fees as recommended in Executive Session. Brian Ray seconded the motion. The motion passed unanimously.
- **Dayne Taylor** asked if there was a new lawsuit. *Mr. Whittington advised Mr. Hilb not respond so as not to disclose matters that were discussed in Executive Session.*
- E. Possible accommodations under the Americans with Disabilities Act as a result of a request by Mr. Charles O'Brien.** By order of Consensus the Board authorized Mr. Whittington to communicate with Mr. O'Brien regarding his request for possible accommodation. The following discussion ensued.
- **Gene Leasure** asked why to date, Mr. O'Brien hadn't been accommodated. *Mr. Hilb stated that the Board asked Mr. Whittington to look into this matter and this is where they were at in the process.*
- F. Proposed Amended and Restated Development Agreement between the District and developers (Talking Rock and Whispering Canyon) and the associated Memorandum of Understanding (MOU) executed by the parties.** Bob Hilb made a motion to proceed as recommended in Executive Session. Brian Ray seconded the motion. The motion passed unanimously.
- G. Proposed Settlement Agreement between the District and developers of The Preserve and the associated MOU executed by the parties.** Bob Hilb made a

motion to proceed as recommended in Executive Session. Brian Ray seconded the motion. The following discussion ensued:

- **Gene Leasure** asked if this Settlement Agreement was different than the Settlement Agreement that was signed in a previous meeting. *Mr. Hilb gave a brief explanation as to what this agreement was.*

H. Proposed resolution regarding the adoption of copy fees and an associated amendment to Article II, Section 217 of Ordinance 2008-1. Bob Hilb made a motion to approve Resolution 2012-1 Amendment #2 of Ordinance 2008-1 and the attachment with the following changes: In Paragraph number 5 to adopt Amendment #2 of Ordinance 2008-1 and also proposed to change the next paragraph to read "Therefore it be resolved by the governing board of ICR sanitary District Yavapai, County Arizona Amendment #2 to Ordinance 2008-1 as attached Hereon as adopted". Also a change to Amendment #2, second to the last paragraph to read "in addition to the charge of .25 per page, if the request is for commercial purposes, Fair Market Value will also be charged". Scott Robbins seconded the motion and Bob Hilb gave a brief history on the matter. The following discussion ensued:

- **Dayne Taylor** would like to see the entire Amendment. *Mr. Hilb stated that the District may make some of documents available on the District website, at their discretion. He also stated that a request for information could also be made by Mr. Taylor.* The motion passed unanimously.

I. Correction to Resolution 2011-4, Amendment No. 1 to Ordinance 2008-1 approved in the Public Meeting on December 29th as a Schedule of Fees. Mr. Hilb stated that at a previous meeting, the wrong document was signed. Mr. Hilb made a motion to replace that document with ICR Sanitary District Resolution 2012-2 with the following changes:

"Whereas it was brought to the Board's attention that the form of Resolution 2011-4 approved by the Board approved on December 29, 2011 was inaccurate". The following paragraph would now read: "Therefore be it resolved by the governing board of the ICR Sanitary District Yavapai, County Arizona adopts the fees attached hereto as Exhibit 1 in lieu of Resolution 2011-4" Brian Ray seconded the motion. Mr. Hilb gave a brief description of the discrepancy. The motion passed unanimously.

9. OLD BUSINESS

A. Future meeting dates, times and locations. The next meeting date would be February 7, 2012 at 9 a.m. at the Days Inn in Chino Valley. Mr. Hilb stated that this meeting had to be prior to the deadline for the Audit paperwork.

B. The level of detail on Financial Reports, especially categorization of legal costs by "Litigation" and "District", and possible approval of the November 2011 Financial Report. Bob Hilb made a motion to approve the November 2011 Financial Report. Brian Ray seconded the motion. The motion passed unanimously.

10. NEW BUSINESS

A. The Financial Report and recommendations prepared by Alyx Cohan, CPA for fiscal year ending June 30, 2011 and approval to submit the Financial Report to Yavapai County. This item was tabled.

B. Purchase of file cabinets for the storage of District Records. Bob Busch gave a brief description of what he needed. Bob Hilb made a motion authorizing Bob Busch to purchase file cabinets for the District plant as need up to \$1000. Brian Ray seconded the motion. The following discussion ensued.

- **Paula Green** asked that the file cabinets have locks.

The motion passed unanimously.

C. District Financial Reports for November and December 2011. Bob Hilb made a motion to approve the Financial Reports for November and December 2011. Brian Ray seconded the motion. The motion passed unanimously.

D. The development of a District Ordinance to replace Ordinance 2008-1. Scott Robbins gave a status update on developing a new ordinance. He stated that he's checked into other Districts and how our Ordinances and theirs differed. Mr. Robbins stated that he should have his entire research ready by March.

- **Dayne Taylor** asked which District Mr. Robbins was talking to. *Mr. Robbins stated that he was talking to Camp Verde.*

D. Engagement of an engineering firm to serve as District Engineer for the District. Possible vote to authorize the chairperson to sign a contract with the firm selected. Bob Busch stated that the only difference was in price. He felt that both were capable of doing the job. He stated that it was his impression that the reason Civil Tech might be lower was because they had already done most of the work. Mr. Ray stated that it was his opinion that Civil Tech had more Plant Work experience. Because the information had only become available the previous meeting that there had not been time to do a thorough review. It was decided to table this matter.

11. ADJOURNMENT

Therefore the meeting was adjourned at 1:45 p.m.

Date

Board Clerk