

Timber Lakes Water Special Service District

Wasatch County Offices

25 North Main, Heber City, UT 84032

435-654-0125

May 20, 2014, 6:00 p.m.

Board Meeting Minutes

Chairperson: Neil Anderton

Board Attendees: Neil Anderton, Reg Anderson, Ralph Lewis, Mike Wheelwright, Steve Farrell, and David Hansen. Leno Franco and Carol Baker were excused.

Other Attendees: Jody Defa Timber Lakes Water Manager, Duane and Jared Moss-Legal Counsel, Jeremy Wilkey and Angie Morris, with Hawkins Cloward and Simister Auditing Firm, as well as Karena Baer-Homeowner.

TLW Minutes: Jody Defa

The meeting began at 6:00 p.m.

Old Business: Duane Moss, Jody Defa, and Dave Dillman have had no response from the L.D.S. Church legal counsel. They were supposed to get back with the District within thirty days. Duane said that we would probably have to get back with them. He mentioned that it is preferable not to file in court, but we may be forced to. The consensus of the board members is to take equivalent flow from the L.D.S. Church's diligence claim on from the West Side Spring out of the Cove Spring, which is higher up on the mountain.

Homeowner Karena Baird: She had a spike from 4,000 to 28,000 gallons in her water usage, which resulted in a water usage bill of \$382.00. Carol applied the leak relief policy, which relieved \$137.50 from her bill. Karena came to the board to seek additional relief from the water usage portion of her bill. There was considerable discussion. The resulting decision was that because of 13 years of history without any problem, that the bill would be lowered to what her regular bill is.

Steve Farrell made the motion to reduce her bill to around \$100, which is close to the amount of her regular bill. Seconded by Mike Wheel Wright. Motion passed unanimously

Approval of April minutes: David Motioned to accept the minutes Ralph seconded. Motion passed unanimously. There was discussion about how this was the most complete set of minutes the board has seen.

Hawkins Cloward and Simister Audit Presentation: Angie Morris reported that the document she provided contained the District's numbers, and that it was her opinion that they were materially correct. This means that they give the District a clean opinion. Duane has no changes to the financials, which is reflected in the letter he sends to the auditor.

Management Discussion and Analysis

Angie discussed the Management Discussion and Analysis that is compiled by Jody Defa with input from Kierstan Smith. This is a discussion of the District's financials in non-accountant language.

The Statement of Net Position is a snap shot of what is taking place as of December 31, 2013. This statement shows assets, liabilities, and equity of Timberlakes Lakes Water SSD. In summary: unrestricted cash increased \$68,000, restricted cash was up about \$25,000, receivables increased \$22,000, and special assessment receivables decreased about \$117,000.

Statement of Revenues, Expenses, and Changes in Fund Net Position:

Operating revenues went up \$41,600. That is due to the new rate structure implemented in January 2013. Operating expenses declined roughly \$69,000. Water Service Revenue was down about \$8,200. General and Administrative costs decreased \$61,000. The biggest change was because of potential bad debt write off due to two lots that may not be buildable. In 2012, the auditors made an allowance on the receivables to account for close to \$47,000 in bad debt for said lots. This is not certain yet, but the allowance was created to be conservative with the financials. The board will need to make this determination.

There was discussion about the Assessment Bond on the two lots in question. The assessment has been paid on both lots.

Cash Flows: This sheet is useful to show where the money is coming from and how it is used. One thing that the auditors like to see is positive cash flow from operating activities. In 2013, District had \$239,000 from operating activities that can be used for other purposes. This number was positive last year as well.

Non-Capital and Related Activities:

The District received \$154,000 from the Veigh Cummings Trust in 2013.

Cash Flows from Capital and Related Financing:

Bond assessments brought in \$542,000 in 2013.

Capital Improvements:

There was \$18,000 in capital improvements this year due to the replacement of the chlorinator building that burned down. Overall, cash increased \$93,000.

Restatement of 2012 Financial Statement:

This reassertion took place because of recent rule changes. Angie explained that it used to be that the auditors wrote of bond costs over the life of the bond, but now they are required to write the costs off in the year they occur. When the State of Utah changes rules on financial reporting, the previous year's numbers have to be changed. Angie and Jeremy left the meeting.

Board Discussion: Duane pointed out that the Charitable Trust income will not be here this year. In addition, he wants a copy of the insurance policy to make sure we are covered correctly. Jody explained that new insurance with Utah Local Government's Trust provides us with more coverage and lower deductibles. This is because they are a private company that only insures public utilities. Jody will send a copy of the policy to Duane for review.

Warrant List: The numbers on the warrant list were out of sequence, missing, incorrectly numbered, and generally confusing. We started at check number 10970. Jody does not know if it is the system or the office, but suspects it is a little of both. Duane said that he was over at the office and thinks it is a software problem. **Steve made a motion that the board pay the bills, and get a corrected warrant list and check register for approval next month. Reg seconded the motion. Motion passed unanimously.**

Accounts Receivable: was presented with numbers to compare January, February, March, and April. Our balance went up significantly, about \$5,000 a month. Less than 10% of all the customers are delinquent. Some of the properties are going up for tax sale on May 29, 2014. The board discussed fluctuation in the A/R balance. We need to lien the higher balances as soon as possible. We still need to decide whether to write off any amounts for lot 724 and lot 805.

Jody explained that Joe Dunbeck was supposed to go to the Wasatch County and get ownership of lot 805 transferred to Timber Lakes Water SSD. For years, the District was under the impression that it owned lot 805, but later found out that Joe Dunbeck was not able to complete the exchange. While we believed the District owned lot 805, Pebble Creek Ranches purchased it. Then a lien was put on the lot because it was used for collateral on a loan. We discovered that we did not own the lot when America First Credit Union called us to switch ownership because they had taken the property for non-payment.

In addition, Jody reported that he had no idea why lot 724 had not been billed. It was taken over by a bank that paid the Assessment Bond. Now the next-door neighbor owns it. Jody believes that owner is going to combine the two lots.

Duane suggested that the lien and collect on the properties that are delinquent on the Assessment Bond. In this way, we can pay of a portion of the bond, thus reducing interest, and sell the properties after bonds are paid off. Because of the 10 year callable feature associated with the 2011 Assessment Bond, an early pay off can only take place on foreclosed properties. Jared mentioned that the treasurer of the District makes a recommendation on which properties to foreclose. Further, the District sends a delinquent notice after ninety days. Then the owner has 15 days to respond before the District can foreclose.

The District would foreclose on the assessment bonds and lien the revenue bonds.

Work Schedule Discussion: David led the discussion about staggering the employees work schedules so the weekends would be covered so the District could save money on the budget. This change we make it so there was no overtime, and weekends were covered. There was

considerable discussion about how it may or may not work between summer and winter schedules. In the end, the board decided not to adjust work schedules.

Water Manager Report: Staff removed the dirt bank by the shop, built a higher berm, and put down road base, expanding the parking lot. The guys have been flushing the water system because of increased spring flows. Jody will coordinate a tour of the system with the board members and Eric Franson, the District Engineer.

Executive Session Personnel: A motion was made by ? To go into executive session. Seconded by?. Motion passed unanimously. Motion was made to come out of executive by ? Seconded by ? The board decided to terminate Janae Quilter's employment. Motion by? to adjourn Seconded by? Motion passed unanimously.