

**ICR WATER USERS ASSOCIATION**  
**Board of Directors Meeting, Talking Rock Ranch House**  
April 27, 2010 Meeting Minutes

Approved

Those Present:

**Board Members**

Jimmy Stoner, Vice-President / Secretary  
 Tom Sullivan, Treasurer  
 Curt Anderson, Director  
 John Payne, Director  
 Bill Meyer, President (On Vacation)

**Contract Staff**

Chris Williamson – Water System Operator

**Member Guests**

Shirley Leasure	Gene Leasure	Dayne Taylor	Eileen McGowan
Harvey Roberts	Irene Roberts	Chris Stoner	

1. **Call to Order** - The meeting of the ICRWUA was called to order at 9:04 A.M. by Jimmy Stoner.  
 (Bill Meyer was on vacation.)
2. **Review Minutes of the March 23, 2010 Board Meeting.**

**Motion:** Jimmy moved to waive reading of the 3/23/10 Minutes; Curt seconded; motion carried.

**Motion:** Jimmy moved to accept the 3/23/10 Minutes; Curt seconded; motion carried.

**3. Reports**

**a. Wallace & Assoc. Report** - A representative from Wallace & Associates was not in attendance.

**b. Operator’s Report** – Chris reported that there are tumbleweeds stuck in fences, etc., and wanted to know what the Board would like to do about. It was discussed that after weeding, there should be some type of weed suppression used to inhibit future growth. Chris advised that he would rather not use it around the well site, but the other areas would be okay.

**Motion:** Jimmy moved to authorize Chris to hire someone to collect the tumbleweeds and burn them; Tom seconded; motion carried.

Chris also reported that one tank is gone from the ICR pump station, and one remains. The man who took the first one thinks he can sell the second one. It was decided that in a week or two, if it hasn’t sold, Chris will put in on Craig’s List. Chris already gave him one week to sell it.

Chris advised that rodents at Molly Way were responsible for chewing the pressure sensor wire. Chris would like to hire an electrician to elbow it up about four feet so no rodents can get to it. It should not exceed \$200. The Board authorized Chris to do this work.

Chris advised that the fire hydrant in Whispering Canyon is fixed at a cost of about \$1,100, including installation of bollards to protect it. Chris is going to call the fire department to have it tested and painted yellow.

**Action Item:** *Chris to call the fire department to have the fire Hydrant tested and painted yellow.*

Chris stated that there used to be three back flows and three meters in the Brothers Lane Compound area used for landscape. The backflow valves are gone. He called Clint and asked him how he wanted to disconnect all of it, and Clint advised that he would have Hoamco send a letter, which has been received. They advised that the meters are still there, so Chris would like to pull them to make sure there is no cross-connection. He believes the meters are the Water Company's. Chris will pull the meters out of the ground, and turn off and lock the valve.

**Action item:** *Chris to fax the letter from Hoamco to Cheryl of Wallace & Assoc.*

Chris advised that the jacuzzi in the cottages doesn't have a backflow valve on it. It has a commercial meter, so a backflow valve should be installed by Talking Rock. Chris will e-mail Clint about this and copy the Board.

**Action Item:** *Chris will e-mail Clint about installing a backflow valve on the Jacuzzi, and copy the Board.*

Chris also advised that he had a request for a 1" water meter on Warbonnet, Lot 174. There is nothing on that lot for water service or sewer? The Owner's contractor will dig up enough to put in two meter boxes.

Chris stated that the fire hydrant that was knocked over in Whispering Canyon has been repaired (it was knocked loose, dug up and reconnected) and there are protective posts surrounding it.

**c. Financial Reports (February & March) – Tom reported as follows:**

He does not have a report for March from Wallace & Assoc. They are still struggling with March.

For the entire development (all 4 developments), for the month of February, the total income was \$23,976; total expenses of \$47,213, for a net negative income of \$23,237. Of the \$47,213 of expenses, \$27,686 was for depreciation, representing 59% of total expenses.

For ICR in February, income was \$7,549; expenses were \$15,435; resulting in a net income of negative \$7,886. Depreciation for ICR was \$8,155.

For TRR in February, income was \$14,759; expenses were \$31,778; resulting in a net income of negative \$17,019. Depreciation for TRR was \$19,532.

The balance sheet for February showed current assets of \$125,500. Tom subtracted the \$20,764, which is for the ARC and is money the Company can't touch, from the total assets of \$146,264, resulting in the \$125,500 figure. Current liabilities are \$110,846, so there is roughly \$15,000 more in current assets than there are current liabilities. In this regard, Tom is speaking of current assets only, not long term assets. The long term asset figure is \$10,631,666. Current liabilities include accounts payable, which is \$101,429. There is also a Snell & Wilmer amount for the ICR division, which is \$69,000. For the TRR division, for Snell & Wilmer, the figure is \$33,000. Jimmy explained that we have to carry the entire balance due, which is \$93,000, (?Tom, Is this amount correct?) on the books until the final payment is made in September, at which time, they will send us a letter saying that we're good. So, there is money on the books that we don't expect to pay. We expect \$69,000 to be forgiven, but it shows in the accounts payable until the final payment is made, and then it will be forgiven.

Wallace & Assoc. has not completed the March reports, so they were not reported on at this meeting. (Wallace still sorting out how MDI entered/maintained some of the January and earlier data?)

## g. Committee Reports

- **Operations Committee –**

**Storage Lake As-Built, Meter, Valve & Operations –** Bill Meyer was not in attendance at this meeting, so there was no report on this item. Chris W. advised he had not heard from Clint about As-built or meter ownership.

- **Finance Committee –** Jimmy had sent an e-mail to the Board relating to depreciation and reserve accounts. Specifically, the requirement from the ACC on R14-2-102, that says we are obligated to maintain adequate accounts and records relative to depreciation. As part of that, a separate reserve for each functional account shall be maintained. Those two items create concern on Jimmy's part. The Board, Bob Busch, and MDI spent a lot of time in 2009, getting assets on our books that were in use and the Water Company was deriving benefit from, even though we were losing money. We added about \$6,000,000 of TRR assets in 2009 to the books that were not there prior to that. We added some WC assets to the books. In addition, with the rate case and the results of the rate case, we had to modify our depreciation schedules and conform to the ACC requirements and recommendation for allocating infrastructure to certain categories. The motors go in one category; valves in another category; etc. All of that was done in 2009, so that we had a better handle on depreciation of the infrastructure in TR and WC. The infrastructure in The Preserve and ICR was provided to the water company as a gift (CIAC), so we treat that differently. To Jimmy's knowledge, there has never been a separate reserve account set up to match the depreciation accounts that are in place. He believes that we are at risk of being challenged by the ACC for not conforming to this requirement.

Jimmy recommends the Finance Committee take this item on as a task to address and attempt to get our hands on what exposure we have for not conforming to this requirement and what we need to do to demonstrate to the ACC that we recognize this requirement, and we will endeavor to address it, and be prepared to advise them should we be asked. Tom thinks we need to check with the ACC to see if we need a separate reserve for each account or functional account. If the answer is in the affirmative, then we have to answer the question, "How much money should we set aside?" Jimmy believes the depreciation accounts are better categorized now. Jimmy felt it was better to contact some other knowledgeable entity before we contact the ACC. It was agreed that a meeting should be scheduled with Wallace & Assoc. to get some input from Cynthia about setting up reserve accounts, even though we can't put any money in them at this time. It was unclear why the issue of reserve accounts has not come up by the ACC in the past? After considerable discussion, we agreed we need to get a handle on this requirement and develop a plan for establishing credible reserve accounts.

***Action Item: Tom will call Cynthia to discuss the depreciation reserve requirements and the possibility of setting up accounts.***

Harvey asked if as part of the rate case, there were a certain amount of assets on the books and there was depreciation assumed for those assets as part of the cost of service study that was performed by Bourassa. Jimmy answered that they didn't properly include it. Jimmy also advised that the Company hired a CPA, Mr. Bourassa, to do a cost of service study from information that was provided by the Water Company. All the assets that were on the book in 2006, were turned over to Mr. Bourassa. Mr. Bourassa came up with cost of service numbers for the golf course and for residential and for the Company as a whole. In Jimmy's opinion, he believes that the ACC used Bourassa's numbers to determine the rate that is in place today. Unfortunately, Mr. Bourassa did not provide to the public or ICRWUA members the assumptions that went into preparing his data and his cost of service study, in spite of Dayne

Taylor attempting to get that information as an intervener. Jimmy believes that the current rate does not come close to reflecting adequate cost of service information. Harvey said he'd do further checking but couldn't believe significant assets weren't included. Jimmy repeated that only the assets on the books in 2006 were used with the 2006 financial data to perform the cost of service study, even though it was recognized development had continued in the interim.

2009 Audit - Jimmy advised that they had earlier discussed Constance Penney doing the 2009 audit because of her having performed the 2007 and 2008 audits. The difficulty we have here is the feedback from Cynthia Wallace about the state of the books that she has discovered so far. Jimmy feels that what we ought to do is assign another action to Tom to discuss with Cynthia when she thinks it would be appropriate to engage Constance Penney to perform the audit. Gene Leasure asked if the auditor could perform her task in parallel to Wallace? Tom will check. Dayne asked if the Board has an obligation to report to the ACC in April. Chris W. advised that the report was turned in to the ACC in April.

***Action Item: Tom to discuss with Cynthia when she thinks it is appropriate to engage Constance Penney to conduct the audit.***

- **ARC Report** – Eileen McGowan reported that they approved plans for a house addition to Lot 23. She also reported that they approved a windmill on Lot 171, and they sent a letter to Lot 170 for a horse trailer that was parked in front. The horse trailer was moved to the rear of the lot. On Lot 84, the RV that was parked on the front plane of the house for almost one year has finally been moved to the rear plane of the property. Eileen received one phone call from a homeowner that was complaining that the RV looks like it is in her back yard instead of the other owner's property. Eileen explained to her that they have no control over where the RV is parked in his back yard.
- **ACC Order Compliance** – Jimmy advised that he and Bill have been trying to schedule a meeting with Clint to discuss the three remaining Best Management Practices that need reformatting. They have been unsuccessful in setting up that meeting and will continue to attempt to set it up.

#### 4. Old Business

- a. **ICR Pump House Renovation** – Jimmy has concurrence from several people to serve on the committee. He will schedule a meeting with the committee to visit the pump house and do some strategy discussions.
- b. **Molly Way Status** – Jimmy stated that they had a committee of the whole, which consists of the full Board, Chuck O'Brien, and Dayne Taylor. They were to draft a letter to Harvard (submit to the Board for approval) identifying what they perceive to be deficiencies relative to acceptance and turnover of the Molly Way pump and storage facility. There have been several meetings with Jimmy, Charles and Dayne. There have been two meetings with the Board, and they presented a memorandum describing what they felt to be the deficiencies. They were tasked to go away and look for additional documents and revise the memorandum and get back to the committee of the whole with an update that they felt could then be presented to Harvard. They are going to call a meeting by next week to do a final review of the memorandum and present it to the Board. Bill will then invite Mr. Krumwiede to attend a meeting with the representatives of the committee.
- c. **ICR Web Site Status** – Curt reported that they did some research to find a web master that is more responsive and less costly than the current one. The committee, Curt, Jimmy And Chris Stoner, met with Beth Niebuhr, a website builder, and described to her what the Water Company is looking for in a website, which is similar to the existing web site. Beth developed a sample web site, reviewed by the

committee and board. Jimmy will copy all data from the current website for her use to download to the new website. There is a Board members only section on the website, so that documents can be reviewed and approved before being posted to the public portion of the website. Last year we spent around \$2300 for the Web site. The price of this new website is around \$800 for the first year. The following years should be around \$500 per year. (As a member of ICRWUA, she is contributing a lot of her time to keep the costs down.) As a point of reference, the ICRSD spends about \$540/year, but the board does all the work to maintain the web site. It is anticipated the new website will be in place the first of June.

**Motion: John moved to transition to the new webmaster and website; Curt seconded; motion carried.**

- d. **Annual Meeting** – Jimmy stated that the annual meeting occurred as scheduled, and went very well. It had a little low attendance, about 25 people, mostly from ICR. Gene Leasure said he felt it went well in spite of the issue with the microphone.
- e. **Restore 2009 Board Minutes** – Jimmy advised that in 2009, TR Directors apparently wanted to sanitize the Minutes. In particular, the May 5 meeting, where Jimmy and Bill made reports within the meeting with respect to the (Rate Case) open hearing that had occurred on April 28, 2009. The comments were excised and put into another section of the web site. Jimmy believes those actions were inappropriate. Jimmy believes these minutes be corrected in the record. The public comments portion of the meetings were also put in a separate documents. Jimmy would like to incorporate those comments into the Minutes at this time. Curt advised that he looked at Robert’s Rules of Order, and he believes that the Minutes should record what happened in the meeting. This Robert’s Rules discussion occurred in the meetings and they were ignored.

**Motion: Jimmy moved to modify the prior Minutes to include comments made by Bill and Jimmy, and include the public comments into the Board Minutes, which were both excised from the original Minutes; Tom seconded; motion carried.**

- f. **Review Action Items** – Jimmy reviewed the action items. The open items are:
  1. Bill to work on getting well registration at Long Meadow Ranch straightened out.
  2. Bill to meet with Operations Committee and include EOP’s within its scope.
  3. Asset Committee to work with Chris W. for documentation on all Molly Way repairs, replacements, and testing that has been done. Chris W. to see Clint about contractor repair invoices.
  4. Chris to check with Bob Busch regarding a standby contract with Empire.
  5. Chris to put the remaining tank on Craig’s List in a week or two.
  6. Chris will check with the engineer to see what the scheme of operation is supposed to be, and he will advise the Board of his findings.
  7. Tom and Chris to work on the Consumer Confidence Report.
  8. Bill to contact Bob Busch to see if there is other information that we don’t have for the infrastructure of Molly Way.
  9. Jimmy will coordinate a date next week with John Payne and Chuck O’Brien to go through the records.
  10. Bill to check with TRR to see if there is a pressure sustaining adaptation on the new lake.
  11. The Assets Committee to schedule a meeting with TRR to start the infrastructure acceptance process for the new storage lake.
  12. Chris will get a price for a sanitary seal, and if it’s not too expensive, he will purchase and install it.
  13. Bill will set up a meeting with Jimmy, Clint Poteet, and John Noyes to discuss the three TRGC BMPs.
  14. Jimmy and Charles to compare the By-laws to the insurance policy to make sure everything is covered.

15. Jimmy will put together a committee, to be called “ICR Pump House Renovation Committee.”

## 5. New Business

a. **Records Archive Storage** – Jimmy advised that this is in process. The only point to be made is that as the data is organized, the Board needs to discuss the amount of data that we want to keep at the business office as current data that meets the intent required by the AZ revised statutes that the records are available to members at the business office.

*Action Item: Tom to consult with Cynthia on how to arrange keeping a couple of file drawers of records at Wallace & Assoc.’s office.*

b. **Maintenance/Upgrades** – Curt has volunteered to take the lead on this. Curt gave the other Board members a breakdown of all areas/items, separated into hardware and facilities, to be maintained and/or upgraded. Included is a comprehensive list of items which needs to be done at Molly Way. It was decided that this maintenance schedule be given to the Operations Committee to have at their disposal and to build on. (Jimmy indicated he would provide Curt with the Asset Data Base.)

c. **Cost Allocations to TRR vs. ICR** – Jimmy stated that we have cost allocations between the TR and ICR water systems, and in Jimmy’s opinion, the manager’s time had been allocated incorrectly between the two systems. aQuality had maintained some data and statistics that showed that 80% of their time was spent operating and maintaining the TR water system. MDI cost was allocated on the basis of a monthly charge and charge per customer. The manager allocation in the past was based on the number of customers in each subdivision. Jimmy believes that this distorts the costs associated with each water system. In Jimmy’s opinion, the vast majority of the time of the board and the manager was dealing with Talking Rock system issues whereas the ICR system was nearly issue free. He thinks the Board needs to take an action to reassess the allocation of expenses for the 2009 calendar year between TR and ICR. Tom and Jimmy will get together to discuss and evaluate this further, and perhaps do an analysis for the next meeting, perhaps come up with a basis for a more equitable allocation. For example, all the man hours and associated charges for the rate case were dealing with Talking Rock issues yet they burdened every association member regardless of which water system is serving them.

*Action Item: Tom and Jimmy will get together to discuss and evaluate cost allocations between TRR and ICR further, and perhaps do an analysis for the next meeting.*

## Public Comments Session

### Public Comments:

Dayne Taylor commented that he noticed in the last month’s water bill, there was nothing mentioned about changing accounting services. He thinks members should be notified that Wallace & Assoc. is the current accounting firm.

Jimmy stated that the address changed, phone numbers changed and it was posted on the web site. A formal notice may be appropriate.

Dayne also wanted to know how much space is available on the new website. Curt answered that there is no problem with space. (Current date on web site is about 100 MB.)

Dayne also asked if there would be segments in the website for the different service providers of the Water Company. Jimmy doesn’t believe this is necessary, as they have their own data storage backup and separate sections for their data on the web site.

Harvey Roberts stated that one way of doing e-billing is for people to go to the website and pick up their bill, or the bill can be e-mailed to the members. Jimmy advised that he and Cheryl have discussed this in the past, and are continuing to discuss it.

Harvey also asked if the Board can start having a Quality and others break down how much time they are spending on each system. Chris responded that they tried it once, but it was too difficult to break down their time this way. He reiterated that he spends 80% of time dealing with TR's problems.

Tom thanked Harvey for his suggestions on improving the Company's efficiency. Jimmy concurred with Tom's comments.

Dayne asked if the Board has considered using the sales office for their meetings. Jimmy responded that they haven't had a discussion about this yet.

Gene Leasure commented that there wouldn't be enough room at the Sales Office even with just the small amount of people attending this meeting.

Curt introduced our new Web Master, Beth Niebuhr. Beth had her laptop to show a sample of the new web site page layout.

**Motion: Jimmy moved to adjourn the meeting; Curt seconded; motion carried.**

Meeting adjourned at 11:05 a.m.