



Board of Trustees  
Minutes of Regular Meeting  
Tuesday, December 3, 2019  
6:00 P.M.  
Board Room  
Minden-Gardnerville Sanitation District  
1790 Hwy. 395  
Minden, Nevada

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Board Members Present:

Barbara Smallwood  
Michael King  
Robert Allgeier  
Mary Schilling  
Ted Thran

Staff Members Present:

Peter Baratti  
Cliff Simpson  
April Burchett  
Anthony LaRocca  
Bruce Scott

Others Present:

Nicola Neilon

Board Members Absent:

None

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***Meeting called to order at 6:00 p.m. by Barbara Smallwood, Chairman.***

***Public Comment:*** There was no public comment.

***Chairman's Comment:*** There was no comment at this time.

***Claims Review and Approval:*** Mike asked about the billing from Sierra Berkshire, and April explained it is the charge for the Other Post-Employment Benefits actuarial report which is a federal requirement to accompany our financial statement. **Motion by Mike King to approve the claims received for November, 2019 in the amount of \$53,924.66 plus miscellaneous expenses in the amount of \$4,670.22, and to approve the payroll-related expenses paid during November, 2019 in the amount of \$102,843.07.** Seconded by Bob Allgeier. Motion carried [5 ayes (Allgeier, King, Schilling, Smallwood, Thran), 0 nays, 0 abstain, 0 absent].

***Minutes of November 5, 2019 Regular Board Meeting:*** **Motion by Bob Allgeier to approve the minutes of the November 5, 2019 Regular Board Meeting.** Seconded by Ted Thran. There was no discussion on the motion. Motion carried [5 ayes (Allgeier, King, Smallwood, Schilling, Thran), 0 nays, 0 abstain, 0 absent].

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**Casey Neilon** – Represented by Nicola Neilon. Ms. Neilon began with the FY19 audit, and noted that the main difference between this audit and the audits we have seen in the past is the qualified opinion. They could not form an opinion on the value of the inventory. They went back to 2016 to come up with a beginning balance, which would mean going back to 2015. The records from 2015 had been destroyed. Bob noted that we didn't do inventory prior to him and Barbara being on the board. Nicki said she had someone from her office come out to look at the inventory, but there is no price on the inventory items, so there is no way to validate the numbers. Peter explained that some of the products came from a long time ago, or as part of an expansion project. We also replaced the parts as we have used them. Some parts were purchased at a lower price, some items we don't know where or when they came from, and some items aren't available for replacement but are still needed. Nicki explained their tolerance threshold is \$25,000. If they had something from 2015 that gave them a starting balance, they could have put something together, so there isn't a good system in place. Barbara clarified that the problem was that we didn't have a monetary value on the items. In other words, we know what we have, just not how much it is. Nicki explained typically you use the older item prior to the new item so you have a value for the newer item. Barbara asked Ted if we can put a policy in place, and Ted said he can help staff put one together. Nicki explained that it can be a simple sheet. Discussion followed regarding valuing parts that are obsolete but are needed for plant equipment. Bruce explained we were focused on keeping parts on hand, but not the value of the parts. Bruce asked what we need to do to satisfy the inventory requirement. Nicki explained we have a current count, and we can start keeping track of parts being used and new parts coming in. Mike stated that this is an important internal control, and he expressed concern about another type of "Tiregate" scandal similar to what the County had. Mike noted that it looks like staff will need some training. Peter didn't think it would take much to put together a spreadsheet and then maintain it. Ted noted you can periodically check your inventory throughout the year to make sure the inventory is still there. Mike explained that it could be difficult to keep up with part values. Nicki explained that it goes on the inventory at the same price you paid for it.

Nicki praised the staff, and said they are responsive and have done a great job on what is available. Staff wants to do a good job, and she thinks the findings can be solved with some training of current staff.

Barbara pointed out the Board members' names needed to be changed, and Nicola stated she will correct that.

With regard to the audit amounts, MGSD's net position, which is its equity, decreased 1.36% from the prior year. Of the net position, the investment in plant buildings and equipment is at 67%, and these are depreciated each year. In addition, there is a restricted net amount of \$81,000 for the ARRA loan payments and she noted that there are other restricted accounts for capital improvement projects. There was some question as to whether these funds should be classified as "restricted" or "designated" funds. After looking at the GASB regulations, it was determined that new cash is restricted, while the net position of the funds is considered designated. As a result, only 9.2% of the total net position is available for spending on operations or unexpected capital needs and repairs. The total expenses exceeded the



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revenues, with a deficit of \$380,000. The program expenses -- including depreciation, salaries, benefits, services and supplies -- were \$3.6 million, lower than the prior year by 3.1% due to the insurance reimbursement for the digester repair. In regards to the change in net position, there was a 2% increase in charges for services and a decrease in operating expenses by 3%. This resulted in an operating loss of \$1.4 million, offset by \$686,000 in non-operating revenue. Basically, the charges are not covering the operating expenses, so the non-operating revenue is covering some of that loss, and the net position has eroded a bit each year while the non-restricted cash available has been decreasing. We are showing a liability of \$106,000 in the OPEB report, and PERS is showing MGSD's portion of their unfunded liability at \$104,000, which is down from last year. We have no control over these liabilities.

Nicola stated that she needs the Board's response to the findings before submitting the audits to the state. She stated these should have been brought to our attention before. Each finding was discussed as follows:

- Segregation of Duties – Barbara says we've always known this, since this is a small organization. Nicola stated that the issue is with the bank reconciliation and bank transaction. Ideally you want a different person or a review process in place.
- Accounting Software – Nicola stated that we have a robust software. Staff has been hampered because beginning balances were never put into the software. Cash transactions, billing, and payroll are going in there. But the balances in the software are not correct. This is essential for the Board and District Manager to see what's happening on the financial statements. The adjusted trial balance has not been provided, and the bank reconciliation is not performed inside the accounting software.
- Bank reconciliation – Nicola reported that currently this is done outside the accounting system, there is nothing to reconcile it to, so it is not a true bank reconciliation. Checks and deposits go in, but not any electronic transactions, so they are not entered into the system as they occur. This is a weakness in the internal control, since the reconciliation is the primary control against which the balances are checked.
- Preparation of year-end accruals – In the past, our auditor was doing this for us. In accounts payable, it should be entered in the system when services/goods are provided. We are currently doing them as we are paying them. So the accountant has been doing the adjustment. It has been permitted under GASB until now, but a new addition to GASB is no longer allowing the auditor to do too much work on behalf of the client. She recommended hiring an accountant to come in at the end of the year to calculate the year-end accruals.
- Application of Accounting Principles and Standards – A lot of new standards have been coming out over the past 4 years, but these standards have not been implemented in a timely manner.



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Staff was relying on the auditor to handle it. Corrections were made at a later time, but adjustments will need to be made to bring this in compliance.

- Compliance items – Nicola mentioned that the other findings were that there was no licensed CPA performing the audit, and the overpayment of board compensation. Both of these have been rectified.

She needs the Board's responses to the findings before filing the audits with the State. Mike felt that this was a helpful presentation, and is much more comprehensive than what was previously provided. He would like to empower the District Manager, staff, and the Treasurer to come up with a plan to bring us into compliance. Peter agreed that he would like to work with Ted on this. Peter said the software is there but it's going to take time and money and we will need someone, such as a CPA, who has the knowledge to help staff come forward in order to provide the information and controls. We may need to bring in outside help, since staff is currently working at capacity. Nicola said our accounting software is technical, and staff didn't have access to the reports. Bob asked about utilizing Casey Neilon. Nicki said they can provide guidance but they have to be careful as auditors. Bob asked for a recommendation for another firm. She will work with Ted on this.

For the current year, the June 30<sup>th</sup> starting balance is available, but the problem will be the reconciliation. We will need to work with the software provided on this. Ted stated that he is available to help staff. Discussion followed regarding the duties and responsibilities of an accountant as opposed to an auditor.

Discussion followed regarding getting the FY 18-19 report finalized for submittal. Barbara felt that Ted should work with staff to come up with a plan. We need to get this going so we can get the submittal in, even if it takes a special meeting. Peter clarified that we will make responses to present at a special meeting. Mike felt that our response has already been expressed, and asked if a special meeting was necessary. Ted felt we need more time to come up with a formal paragraph. Nicola said we don't have to have a special meeting, the Board can empower the Treasurer and District Manager to formulate the responses, but the Board preferred a special meeting.

Peter asked about continually operating at a loss, and Nicola felt that a rate study would be advisable. She reiterated that we are operating at a loss every year. That means that it's challenging for large repairs, and we have a lot of infrastructure that is expensive to repair. She stated that a maintenance plan and a capital improvement plan are important. She felt that small rate increases over time are more palatable than a large increase. Ted said that the Town of Minden spent \$35,000 on a rate study, and he will provide the contact information to Peter. He also would like HDR to do a rate study on the maintenance program. Barbara noted that will need to be agendaized. Mike thanked Peter for bringing this up, and he was concerned about expenses exceeding revenues. Barbara asked about the decrease in revenues while the GRGID fees increased as noted on Page 5. Nicola explained that capital contributions, predominately the connection and capacity fees, decreased by 50%. Nicola explained this



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goes to our net position. Barbara was concerned about a rate study. She asked about the fluctuating costs with the capital contributions, and Nicola explained that you don't want to rely on these to fund operating costs. Bob explained that capital costs have been put in as operating costs. Bob noted we don't get an increase in funds from GRGID. Discussion followed regarding the capacity we're selling.

Nicola explained the revised copies were as a result of proofreading, the only number that was changed was the deferred taxes in the FY 17-18 audit. In the 2016 audit she noted a prior period adjustment of \$1.3 million due to the implementation of new standards, payroll and accounts payable not being properly accrued. The other revisions were spell checking and typos. Barbara asked about the pending dates showing in the audit, and Nicola said she now has signed letters so those can be updated. **Motion by Ted Thran to approve the revised audits for FY 15-16, FY 16-17, FY 17-18, and the new 18-19 audit as presented by Casey-Neilon, and a special meeting will be scheduled to present the recommendations for finalizing.** Seconded by Mary Schilling. [5 ayes (Allgeier, King, Smallwood, Schilling, Thran), 0 nays, 0 abstain, 0 absent]. Motion carried. *See additional discussion below.*

**Grit Removal addition:** Peter noted that \$200,000 for this project was provided for in the capital budget for the current fiscal year. We don't have a redundancy on this particular equipment item, and it is a critical item. If we lose our grit removal, we risk other equipment damage. The belt press also doesn't have a redundancy, but the grit removal is more critical. This is something staff can do most of the work on, saving the District money. Barbara asked about the estimate by Power and Control Solutions provided as a hand-out, and asked Peter if he is still good with the \$150,000 total budget amount. Peter said \$150,000 would still be more than adequate. Mike asked if any engineering will be needed by HDR, and Peter said no. Bob asked if Smith & Loveless is paying for the freight. Bruce said it is FOB on delivery. Peter reported that representatives from Smith & Loveless came out to the plant to develop an accurate quotation. **Motion by Bob Allgeier to approve the acquisition of equipment for grit removal addition from Smith & Loveless and JWC, as well as services provided by Power and Control Solutions, all in an amount not to exceed \$150,000.** Seconded by Ted Thran. Motion carried [5 ayes (Allgeier, King, Smallwood, Schilling, Thran), 0 nays, 0 abstain, 0 absent].

**Casey Neilon (continued):** Barbara asked April if she had any comments regarding the presentation by Casey Neilon. April stated that staff is comfortable with the current accounting software and they are aware of the concerns about reconciliation. Staff is in the process of changing software partners, and we hope to have someone in the office to help with the reconciliation issues.

**Attorney-Client Conference:** Bill was not present.



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**Engineer's Report:** Bruce Scott reported on the following:

**Water Right Permitting:** They have been monitoring the water allocations and processing of water rights permits in the Valley, and he is monitoring County meetings in this regard. MGSD is impacted since we have water rights for our land application.

**Hwy. 395 Sewer Line Cleaning and Televising:** The Hwy. 395 15" interceptor televising project is complete, and a presentation will probably be available at the next meeting. That main was built at the same time as the plant, and it may move up on the priority list of the rehab. He cautioned that the Board should be prepared to do a major rehab as soon as NDOT grants us permission to access the line during their next project. The lines have been cleaned.

**GRGID Interceptor Line Rehab:** RCI is trying to locate firms who have expertise in lining for the siphon under the River on the GRGID line. One company has asked for more information, and RCI will provide it to them.

Barbara asked about having HDR update the master plan. Bruce felt it would be worthwhile to have them bring us some information on updating it. Barbara noted that the County made reference to MGSD's master plan being 15 years old. Bruce stated that our master plan depends a lot on what they approve.

**District Manager's Report:** Peter Baratti reported on the following items:

**During the Month of November:** 1 edu was sold, and he attended several meetings at the County. The Cogen Services contract was signed. The Management Training he attended was interactive and he can keep us out of legal peril. We have a fully functioning staff now, with trainings and certifications. The Townes at Monterra had one issue that was discovered during our TV inspection, and the contractor did a nice job with the repair.

**Village at Monte Vista:** We need to do additional camera work, and then the final inspection.

**Pond Spillway Improvement:** Staff was able to come up with a solution to the gap in the pond access on the east side of the ponds, and we now have 360 degree access around the ponds to help with inspection and weed abatement.

**Plant Equipment:** We had some safety issues with the belt press, and the guidance and safety switches were replaced.



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GRGID: A new SmartCover manhole was installed, and we now have a flow meter at the River and at the plant, so we can accurately determine the flow from GRGID. He also sent a response to Greg Reed, and the letter is in the packet.

Digester Lid Repair: We received a 30% submittal from HDR, and everything we talked about was on there.

Hwy. 395 Line Cleaning Project: Peter and Cliff have begun going over the material, and it appears there is a large amount of debris present.

Peter and Marvin Tebeau will take a tour of the Baker Hughes (GE) facility on Bently Pkwy. Their permit renews in 2021.

Land Acquisition on Muller Ln.: Peter reported he was contacted by Kathy Lewis about a strip of land that skirts the ponds. The County wanted to know if we're interested in acquiring it. Park Ranch doesn't want it, and it currently serves as a drainage and shed area for our embankments. Ted said the County will work with us, and Bruce said it's an important acquisition for us. Mike asked about modifying the letter to state, "MGSD requests to acquire...and MGSD will pay all back taxes and fees". Barbara doesn't want to volunteer to pay taxes. The Board concurred to request acquisition of the property.

UTV Purchase: Peter said we have a capital-item budget for a UTV purchase, and he found one that stays under the budget amount. A 2020 model would be over the \$18,000 budget, but a 2019 model will keep us under budget. He would like to have the Board's directive to move forward with purchasing. Bruce noted it would be valuable for maintenance. The Board directed Peter to move forward with the purchase.

Discussion followed regarding the Peri self-storage project on Pinenut. Around the corner is the Sawmill property discussed at last month's meeting. Across the street is the Hathoot project, which proposes mobile homes. So we are looking at quite a bit of proposed development in the area.

Barbara asked about a marijuana facility, and how it would impact the sewer mains. Bruce and Peter said the pretreatment ordinance would take effect.

Administrative Report by Staff: April had nothing to report.

Board Comment: There was no board comment.



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**Public Comment:** There was no public comment.

***Meeting adjourned at 8:20 p.m.***

Approved by the Board of Trustees as presented on:

1/7/2020                      By *Ted Thran*  
Date                                      Ted Thran, District Secretary

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