

Maury Service Authority

Minutes of the Board Meeting

Tuesday April 24, 2018

A Public Hearing and the regular monthly meeting of the Maury Service Authority Board of Directors was held in the board room of the Water Treatment Plant. In attendance were Chairman Capt. Ned Riester, Board members Mr. John Higgins; Mr. George Graves, Mr. J.D. Goad, and Mr. Jimmy Carter. Also in attendance was Jerry Higgins, MSA Ex. Director; Jordan Combs, incoming MSA Executive Director; Mr. Noah Simon, Lexington City Manager; Mr. Jeff Martone, Lexington Public Works Director; Mrs. Melissa Alexander, Executive Director, Rockbridge Co. Public Service Authority; Mr. William Johnson, Engineer; Mrs. Christina Shea, MSA Administrative Secretary; and Mrs. Sandra Stewart, Rockbridge Area Conservation Council.

Regular Monthly Board Meeting

Chairman Capt. Ned Riester called the regular meeting to order at 5:05pm.

1. Approval of Minutes: Chairman Riester asked for a motion to approve the Minutes of the Regular Meeting of March 27, 2018. Mr. Carter made the motion and Mr. Goad seconded. The motion passed.
2. Financial Report: Jerry Higgins pointed out that the Agenda Package includes the Bank Accounts Balance Sheet and the I&I Revenue Sharing Program balance as well as two reports each for water and wastewater that were gleaned from the Quickbooks software now that most of the data has been inputted by Christina. That includes the general Profit & Loss Report and the Expenses by Vendor Detail report for March as well as for January through March. He provided attendees with the usual budget evaluations that are now derived from the Quickbooks reports. The water budget evaluation shows that at the end of the fiscal year it appears that we will be down on our sales by about \$66,500 and we will be under-spent by about \$90,400 compared to what we budgeted to spend.

On the wastewater side the evaluation shows we have received less flow than we budgeted for and our revenue is going to be lower by about \$79,030. It also shows that we will be under-spent by about \$119,484.

There was some discussion about the decrease in water consumption. This does seem to be a national trend. There is not necessarily a corresponding decrease in the wastewater flows.

3. Water Plant Production and Operation: the Board package includes a water plant report from Roger DeBerry, Water Plant Supt. Jerry reported that even with the considerable recent rains the plant ran smoothly. He attributed this to the plant operators and the use of the polyaluminum chloride coagulant. He also described the difficulty he has had with DEQ regarding the water plant discharge to the river. It does look like we will meet the deadline to be included on the State water plant general permit.
4. Wastewater Plant Operation: Rick Allen, Wastewater Plant Supt. submitted his monthly report which was included in the Board Packet.
 - A. DEQ Fine- Jerry sent DEQ a letter objecting to the amount of the fine. Although DEQ did not agree with his arguments they did cut the fine in half. As long as the Board doesn't object he intends to go ahead and pay the fine. No one objected.
 - B. Jerry reported that there has been on-going contact with the Devils Backbone Brewery. For instance, there is now a verbal agreement that when we smell brewery waste at the plant we will call Brian Godfrey, Environmental and Safety Manager, Devils Backbone Brewery, and he will come to the plant to check it out. Additionally, because of a recent requirement by DEQ they cannot discharge from a sediment pond into a nearby creek. We allowed them, through the PSA, to pump directly to the sewer until the matter with DEQ is resolved.
 - C. Jerry also indicated that he has discussed with the brewery representatives the possibility of finding a way to dispose of waste yeast in some way other than washing it into the sewer. It is such a strong waste it does damage to the biological population in the oxidation ditch at the plant.
5. Rockbridge County PSA Issues: Mrs. Alexander indicated that the PSA had no issues to bring up.
6. City of Lexington Issues: Mr. Simon indicated there were no particular issues the City wanted to bring up.

7. Unfinished Business:

- A. As requested by the Board Jerry met with a representative of Davenport & Company to discuss what the company could do to help MSA evaluate when to begin the Houston St. waterline project. Such an evaluation would take into account the increasing interest rates as well as the bond that will be paid in full in October 2021. One concern the Board has is the possible significant changes in our rates (both up and down) if this project isn't handled well. After some discussion the Board authorized Jerry to enter into a contract with Davenport at an estimated cost of \$5,500. John Higgins made the motion to proceed with the contract, Mr. Carter seconded, motion passed.
- B. Jerry presented a letter intended for Cornerstone Bank to get Jordan appointed as an authorized signator on our bank accounts. The Board agreed to transferring responsibility for the various accounts and CDs to Jordan. Mr. Carter made the motion, Mr. Goad seconded. Motion passed.
- C. Jerry brought up the subject of the Participation Agreement again. The document has encountered another obstacle in that Buena Vista has again taken the position that they would agree to changing the Articles of Incorporation but they were not willing to agree to anything else in the agreement. There was considerable discussion about Buena Vistas' input but there was general agreement that the subject of Participation Agreement is now dead, and probably for several years.

8. New Business:

- A. Christina and Jerry explained that our Auditor (Robinson, Farmer, Cox) wants MSA to begin paying the Board honoraria as "wages" (W-2) rather than as "consulting" (1099) as this and many other Boards have done as far back as anyone can remember. The Auditor does not agree with the IRS on this recent decision but one Authority has been fined already.
- B. Jerry presented the recently completed Audit for FY2017. He pointed out that they found no problems with money accounts, revenues or expenditures. However, the auditors included one material weakness in our accounting and they made several recommendations for the next years audit.

The material weakness was explained as "the prior year audit entries were not recorded on the general ledger and the current year accruals were not identified or recorded on the general ledger." As a result the "Authority's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles." This amounts to our Accountant declining to complete his work.

The other recommendation were not actually part of the audit but were sent in a separate memorandum dated April 13, 2018. Copies of that memo were provided to the Board and to the meeting attendees. Mr. Higgins made the motion that the Board accepts the official audit for FY2017 with the stipulation that MSA staff implement the recommendations by the auditor that are contained in that memo. Mr. Carter seconded. Motion passed.

9. Other Business: Public Comment Session: Mrs. Stuart mentioned that recently the Boy Scouts decided not to participate in the studies to develop a TMDL for the river in the vicinity of the boy scout camp. The result is that the DEQ effort in that regard cannot go forward without new funding.

10. Closed Meeting: N/A

11. Next MSA Board meeting: May 22, 2018

12. Meeting adjourned 6:15 pm.

Chairman

Executive Director