

SUNBURST FARMS IRRIGATION DISTRICT
 Regular Board of Directors Meeting
 Sunburst Elementary School Library
 14218 N. 47th Avenue
 Glendale, AZ 85306

May 6, 2014

MEMBERS PRESENT: Kay Lorenzen, President
 Victor Armendariz, Secretary
 Brett Harrison, Member

EMPLOYEES PRESENT: Brenda Brown
 Richard Mitten

OTHERS PRESENT: (See attached sign-in list)

1. CALL TO ORDER: The meeting was called to order by Kay Lorenzen, President, at 7:02 P.M.

President Kay Lorenzen stated that the following guidelines shall be in place for this meeting. Homeowners will have three (3) minutes to address the Board in the Call to the Public. Input from the public on agenda items should be provided during Call to the Public. Homeowners must be recognized by the Presiding Officer to speak. Only one (1) person may speak at a time. Homeowners will address the Board, not each other, once recognized by the Presiding Officer. The Board may not discuss irrigation issues with each other outside of Open Meetings; noticed meetings are the only time business issues may be discussed. It is the Board's time to discuss issues. Time permitting, the Board may allow input from the public during the meeting. Homeowners may speak only one time per issue.

2. CALL TO THE PUBLIC:

1. Homeowner Les Hatfield thanked the Board of Directors for their efforts for the work in his bridle path. Les also stated that it still seems dammed up but homeowner Rob Myers is going to get the bridle path surveyed. Les reported that Rob's irrigation did not get turned off and it almost flooded his house. The water ran out into the bridle path and instead of heading west it crossed over the bridle path therefore; problems still exist. Les requested to have this issue be put on the agenda so he and Rob could have more than three (3) minutes of the Boards time.
2. Homeowner Don Repp requested Secretary Victor Armendariz's resignation

MOTION

Secretary Victor Armendariz *made a motion to move items 5 A and 6 A to be discussed next on the agenda.* Member Brett Harrison seconded the motion. **Motion Passed, unanimously.**

6. NEW BUSINESS:

A. Discuss and possible action on recommendations from Seely & Mullins regarding depreciation:

President Kay Lorenzen introduced Larry Eickman, CPA and Mary Hanss, CPAs with Seely & Mullins. Kay stated that the accounting firm has been asked to attend this meeting to help the district understand the journal entries that were recommended by Colby & Powell. Kay also reported that several questions were sent to Mary Hanss with Seely & Mullins prior to the meeting and to help reduce costs this discussion will take place between the Board of Directors, Seely & Mulls and Management.

Heavy discussion between President Kay Lorenzen, Secretary Victor Armendariz, Member Brett Harrison and Larry Eickman, CPA with Seely & Mullins regarding the journal entry of \$184,000 and the following questions were asked

Q – What type of depreciation schedule is the district currently on, GAAP or TAX method?

A – The district is correctly on the GAAP basis for depreciation “Per S&M”

Q – If going back to a tax method assuming the district is on GAAP would there be journal entries to get us back there

A – There would be journal entries required to convert to tax basis as tax basis allows accelerated depreciation methods and different useful lives of assets. The District is required to prepare its financial statements in accordance with GAAP. Going back to tax basis for depreciation purposes will cause us to qualify our opinion on your financial statements. “Per S&M”

Q – Should GAAP and TAX method of accounting produce similar results in depreciation

A – The results for depreciation between GAAP and TAX basis can vary depending on useful lives used and if any accelerated depreciation is taken for tax basis. “Per S&M”

Q – How did we come up with an \$184,000 difference and how far back can the difference be traced

A – The \$184,000 difference in accumulated depreciation stems from audit adjusting entries made by prior CPA’s to adjust the accumulated depreciation to GAAP basis from the tax basis. This entry was made at June 30, 2011 to correct prior years and then re-posted by us to correct the District’s books as the entry was never posted to the books of the District at June 30, 2011. “Per S&M”

Q – How do we correct the difference?

A – This \$184,000 difference has already been corrected. “Per S&M”

Q – Did we overcharge \$184,000 to the residents of the farms?

A – Residents were NOT overcharged \$184,000 as this adjustment corrected balance sheet accounts only and does not affect cash. “Per S&M”

Q – How do we prevent this from occurring in the future?

A – The depreciation schedule for the FYE 6/30/14 has been provided to the District and monthly depreciation entries can be made from this schedule. “Per S&M”

Q – Changes in the depreciation schedule – When is the best time to adjust the journal entry

When there are deletions or additions to the depreciation schedule, the adjustments should be made at that time and new depreciation expense calculated. If not, the adjustments must be made at year-end. “Per S&M”

Q – Are there going to be journal entries at the end of each Fiscal Year

A – There may be journal entries at the end of the fiscal year to adjust for changes in depreciation due to assets added during the year etc. as well as some other accrual entries made at year-end. “Per S&M”

Q – Can you confirm that the money is still here and what line item

A – At the June 30, 2013 the money was still there. It was included in the Cash amount of \$395,716. As we did not perform audit procedures, we cannot “confirm” this. “Per S&M”

Q – Would there be any reason that QuickBooks is not an appropriate program to use

A – We are not aware of any other bookkeeping software available, for the price, as “QuickBooks”. It will allow transactions to be entered in prior accounting periods, subsequent to the end of that period. This problem is offset by proper discipline. We have a number of electrical, water and irrigation districts as clients, all of who use “QuickBooks” without this problem. “Per S&M”

Q – Other misc. items

President Kay Lorenzen tabled this agenda item indefinitely

5. OLD BUSINESS:

- A. Discuss and possible action on recommended Journal Entry suggested by Seely & Mullins in Fiscal Year 2011-2012 review. Recommended Journal Entry is regarding accumulated depreciation in the amount of \$184,482.48:**

President Kay Lorenzen tabled this agenda item indefinitely

3. APPROVAL OF MINUTES:

MOTION Member Brett Harrison made a *motion to approve the Special Board of Directors Meeting of March 4, 2014 and the Regular Board of Directors Meeting April 1, 2014.* President Kay Lorenzen seconded the motion. **Motion Passed**, unanimously.

4. REPORTS:

A. Financial Report:

Accountant Cathy Hacker stated that the objective of these reports is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the reports. The intended purpose of these reports is for management discussion and review. See Attachment

1. Tax Exempt Information:
2. Approval of financial report:

MOTION Member Brett Harrison *made a motion to approve February 28, 2014 and March 31, 2014 Financial Statements.* Secretary Victor Armendariz seconded the motion. **Motion Passed**, unanimously.

B. Summary of Current Events:

President Kay Lorenzen reported that the attorney is working on the draft RFP process and they'll have the answers on the two (2) Election questions. Kay also stated that any questions that the attorney received prior to the April 30, 2014 will be billed at the lower rate.

Secretary Victor Armendariz stated that he would like three (3) or four (4) weeks to review the RFP process prior to making any decisions.

Member Brett Harrison gave an update on the database scheduling program. He is currently testing functionality with Richard and Brenda

C. Irrigation Manager Report:

Irrigation Manager Richard Mitten stated that six (6) repairs were completed for the month of April; this leaves thirty (30) repairs remaining. Reported of the condition of the new truck and that the employees submit a daily report on any damages that may have occurred on their shift. Richard also reported on RFP #01-14 for lines 9 & 10 in regards to the punch list and that May 13, 2014 is the second irrigation after the replacements. Richard stated that the bridle path letters have been sent out and that the response from homeowners is very well. Richard thanked homeowners Kay Lorenzen and Ken Rice for putting bridle path cleanup and homeowners responsibilities in perspective. One of the considerations is to coordinate the inspection and clean up to coincide with the City of Phoenix bulk trash pick-ups. Richard would like to remind all homeowners that the deadline to order or cancel irrigation water is the Wednesday before the week that they are to get water, by 10:00 am. Once the schedule is made and the lines are balanced you will be charged for water ordered. Homeowners have three (3) options for signing up or cancelling water:

1. Sign up board
2. Email the office – rmittensbfd@qwestoffice.net
3. Come by the office and sign customer request change form

Please don't forget to put down if you want water permanently or one time only also, if you want to be notified prior to irrigation being delivered. See Attachment

D. Custodian of Records Report:

Custodian of Records Brenda Brown reported on completed/outstanding and fees collected.

1. Ongoing request dated July 19, 2013 from homeowner Randy Videen, requesting the following information:
 - a. Electronic Minutes of the Regular Board of Directors Meeting of April 1, 2014 in native format with metadata
 - District responded on April 29, 2014
 - Approved for copying of the public record in its original form
 - Fee –?
2. Two (2) outstanding public information requests from homeowner Ken Rice
 - a. November and December 2013 emails from Secretary Victor Armendariz pertaining to district business
 - b. Cell phone records of Secretary Victor Armendariz

5. OLD BUSINESS:

B. Discuss and possible action on revising the Policy and Procedure Manual:

Heavy discussion between President Kay Lorenzen, Secretary Victor Armendariz and Member Brett Harrison in regards to the policy and procedure manual. Discussion ensued

regarding several items: “closing down the farms, closing the bridle paths, allowing drinks in the office” and changes were made accordingly. “See attachment”

MOTION

Member Brett Harrison *made a motion to approve the new Policy and Procedure Manual with corrections.* Secretary Victor Armendariz seconded the motion. **Motion Passed, unanimously.**

C. Discuss and possible action on the bridle path cleanup process and frequency:

President Kay Lorenzen stated that the district is coinciding the bridle path cleanup with bulk trash pick-up. Kay also stated that the employees are identifying the problems and letters are being sent out as needed but, if rainy weather occurs then a large mailing may be needed. Kay reported that the HOA is willing to help and get the reminders out. Kay also stated that the HOA would like to remind the homeowners it's their responsibility to maintain the bridle paths.

President Kay Lorenzen tabled this agenda item until the next regular meeting.

6. NEW BUSINESS:

B. Discuss and possible action on Fiscal Year 2012-2013 Review

President Kay Lorenzen tabled this agenda item until the next regular meeting

C. Discuss and possible action to capitalize the 43rd Avenue new impeller in the amount of \$6,658.10

MOTION

Secretary Victor Armendariz *made a motion to capitalize the 43rd Ave new impeller in the amount of \$6,658.10 as the time it was paid for.* Member Brett Harrison seconded the motion. **Motion Passed, unanimously.**

D. Discuss and possible action on hiring a new maintenance employee:

Discussion ensued in regards to hiring part time employees and how the district is under budget therefore; no action is needed.

E. Discuss and possible action to promote driver safety and vehicle life:

Irrigation Manager Richard Mitten stated that homeowner Larry Hudson provided the district several items to consider regarding the safety and vehicle life which includes the following:

1. Change in culture
2. Identify the causes of short vehicle life and institute changes/rules to correct
3. Have meetings or classes for employees and discuss the causes identified and institute rules and guidelines to promote change

4. Upgrade GPS to shorter ping times. Currently we are set at one (1) minute, could be as short as every three (3) seconds
5. Develop a check list for drivers to fill out at beginning of each shift
6. Set consequences for poor and unsafe driving
7. Regular cleaning of vehicles inside and out
8. Signage stating how long we have been accident/damage free
9. Rewards for good driving records
10. Custom back up lights, to provide better visibility at night
11. Drivers should report poor bridge path conditions to manager and prompt action should be taken by manager to eliminate poor driving conditions. Don't let it build up to the point that we are sending out hundreds of notifications at one time

Richard stated that there are several items on Larry's list that are already in place. Richard stated that he disagrees with item #9 which is an incentive program, and that the district hires the employees to do a job. Homeowner Larry Hudson stated his concerns regarding the condition of the trucks when they are sold. Larry also stated that he would like to see the trucks last longer than what they do. Discussion ensued regarding the items listed in the driver safety and vehicle life list. See attachment

President Kay Lorenzen tabled this agenda item until the next regular meeting

F. Discuss and possible action to approve two (2) vacation days for Office Manager:

MOTION Member Brett Harrison *made a motion to approve two (2) vacation days on Tuesday, May 27, 2014 and Wednesday, May 28, 2014.* Secretary Victor Armendariz seconded the motion. **Motion Passed**, unanimously.

G. Discuss and possible action to capitalize RFP #01-14 in the amount of \$173,100:

MOTION Secretary Victor Armendariz *made a motion to capitalize RFP #01-14 in the amount of \$173,000.* Member Brett Harrison seconded the motion. **Motion Passed**, unanimously.

H. Discuss and possible action on results of the APA consultants meeting by Terry Urbine:

Report on 2014 04 07 APA consultants meeting

On April 7, 2014 The Arizona Power Authority (APA) held a consultants workshop to present initial concepts and accept feedback from potential applicants. As discussed and agreed to at the Sunburst Farms Irrigation District (SFID) board meeting on April 1, 2014; I attended this meeting as your representative and to report back on the prognosis of our getting an allocation of Hoover power.

The APA meeting was a presentation by legal and engineering consultants hired by the APA to advise on how best to proceed with the Hoover marketing plan for 2017. Arizona statutes place limits on the latitude the APA has in executing this duty as well as providing

specific directions on what the APA must do in some areas. The consultants welcome and request public feedback on how to proceed, and while they seem to have a thorough understanding of the AZ statutes governing the process, they are quite flexible in how the resource will be divided among applicants.

While the consultants meeting were amicable, there are clear camps of allegiance and opposition forming which will try to shape APA policy in the coming months. The most common method for doing this will be a veiled threat of litigation by applicants that get less allocation than they "deserve." There are going to be about 650 MW of alleged need by applicants and just 392 MW of supply, so some need will go unmet. The APA is most worried about getting sued and have invested a lot of consulting fees in paying lawyers to research the statutes carefully and thoroughly so they have a defensible position at the end of the process. I do not feel the veiled threat approach is going to have much effect on the APA approach and recommend that we focus on suggesting in our comments, ways the allocation should precede based on 2 statutory principles outlined by the APA: "equitable and widespread use of this resource."

Our next step is to formally submit a statement of response or comment on the meeting so our position is on the record and must be addressed on the record. We also have a significant opportunity to affect policy and actually help the APA move forward logically. Once they start moving however, it will be hard to change their direction. Our opponents are already posturing and prodding them in directions I do not agree with.

I would like to continue to represent Sunburst Farms ID under our initial agreement discussed at the last board meeting and will continue to apprise you of our status in this process.

Sincerely,

Terry Urbine, PhD

No action taken

I. Discuss and possible action on future agenda items:

No new items suggested

7. ADJOURNMENT:

Without objection, meeting adjourned at 8:44 PM

Dated this 6th day of May, 2014

Submitted by: Brenda Brewer
Office Manager

Minutes accepted on: June 3, 2014 by Secretary _____.