

PSWID Treasurer's Report for June 26, 2014 Board Meeting

Questions from June 19th Treasurer's Report

How come the 1,648,849 Water Fees on the Estimate vs Actual (1st page) doesn't match the 1,820,511 Revenue from Water on the last page?

The 1,648,849 is the amount billed through May 31st and is reported on an accrual basis. The 1,820,511 is the amount actually collected for water sales and is on a cash basis. Both numbers are correct.

Future Treasurer Reports will use footnotes to identify the source of the numbers and to clarify whether the number is on a cash or accrual basis.

Variance explanation for CH2M Hill Contract. FYTD Estimate 901,179 vs FYTD Actual 956,131, a variance of 54,952.

The variance resulted from exceeding the expense limits included in the CH2M Hill contract

	<u>Limit</u>	<u>Expenses</u>	<u>Overage</u>
Chemicals	3,600	11,523	7,923
Fuel	6,000	23,415	17,415
Repairs	<u>72,000</u>	<u>92,489</u>	<u>20,489</u>
Total	81,600	127,427	45,827
Contract increase as of 12/1/13			<u>9,125</u>
Total variance			54,952

Variance explanation for Parts for Existing Infrastructure. FYTD Estimate 3,625 vs FYTD Actual 37,690, a variance of 34,065.

The variance resulted from an inventory adjustment. CH2M Hill buys parts (valves, pipe, etc.) which belong to PSWID once they are checked into the warehouse. Most of the inventory items cost less than \$1,000. An inventory of the parts is done every quarter and the adjusting accounting entry is made.

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List of Service Contracts and their renewal date

Becky is working on the list and expects to have it completed for the July meeting.

2012 and 2013 Auditor's Report to the Board

I have reviewed the 2012 and 2013 Independent Auditor's Report to the PSWID Board of Directors. These reports are not the auditor's report themselves but a report to the Board advising them of either any "material weaknesses" or "significant deficiencies".

The auditor noted six bullet points to illustrate a significant deficiency in Internal Controls over Procurement and Disbursements. Planned corrective actions were undertaken through new or updated policies, procedures and/or a revision to the Rules and Regulations.

One item does not appear to have been fully addressed. The description of the problem and proposed corrective action is worded as follows:

"The two Vendors referred to in the homogenous purchases are Aero Drilling and JB Contracting. PSWID does several jobs per year at several locations per year based on the immediate needs for repairs and/or maintenance. PSWID will work with these vendors to try (underline added) to incorporate a contract and/or yearly quote based on the prior year's repairs and maintenance costs. This will be implemented into the yearly capital budget as the Board of Directors deem necessary."

The Board may want to investigate what has been done since the 2013 audit and consider whether additional action is warranted. My understanding is that there have been some verbal commitments about pricing and that verbal quotes were received from other vendors but no formal written bids or contracts have been executed.