

# Wastewater Treatment Plant 5 Year Financial Review

April 16, 2015

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Timeline

2008

- February 28<sup>th</sup> – Interlocal Agreement Signed

2009

- Wastewater Treatment Board Created
- December 29<sup>th</sup> – Suggestion that Perry Handle: Books, Personnel, Minutes & Posting Agendas

2010

- Board Chairman Steve Pettingill requested Perry City Create a PowerPoint reviewing the Interlocal Agreement, Finance, & Personnel Processing.
- January 27<sup>th</sup> – Administrative Planning Meeting & PowerPoint Reviewed.
- Perry was Assigned the following functions: Accounting, Personnel/H.R., Minutes & Agenda Posting. No objections to the processes presented.
- Administration Fee Established of \$7,800 per year.

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# Partnership & Collaboration

Perry /Willard Wastewater Board Meeting  
Tuesday ,January 27, 2010  
Willard City Offices  
4:00 PM

Board Members Present: Steven Pettingill, Perry City; Jay Aguilar, Willard City; Paul Nelson, Perry City;  
Scott Archibald, Sunrise Engineering; Bruce Howard, Perry City

Others Present: Susan Obray, Perry City; Mayor Ryan Tingey, Willard City; Jerry Nelson, Perry City  
Mayor; Shanna Johnson, Perry City Finance; Duncan Murray, Perry City Attorney

Meeting was called to order and members welcomed by Chairman Steven Pettingill. He excused Rod  
Mund from the meeting.

Agenda Item 4, Shanna Johnson was moved to Agenda Item 1.

Shanna put together a presentation on Perry/Willard Wastewater Treatment Plant Administrative  
Planning Packet. She came to the meeting to answer questions the board may have.

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

# Partnership & Collaboration

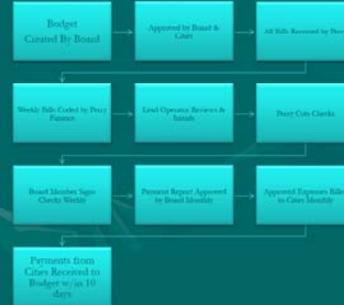
## Perry Willard Wastewater Treatment Plant

Administrative Planning

### Interlocal Agreement

- Responsible for Management of the Facility: The Sewer Facility Board and Facility manager
- Responsible for Operation and Maintenance: The Sewer Facility Board and Facility Manager and will employ competent and experienced personnel, or train such personnel
- Compliance with Law: Comply with State, Federal or Local law and regulations
- Insurance: The cities agree to obtain and maintain Workers Comp and Liability insurance on the Facility. The cost will be considered a operation and maintenance expense.
- Collections: The Sewer Board will collect 66% from Perry and 34% from Willard to be applied to the annual budget.
- Records: The Sewer Board and Facility Manager will maintain accurate and detailed records.

### Finance Process – Expenses



### Budget Concerns

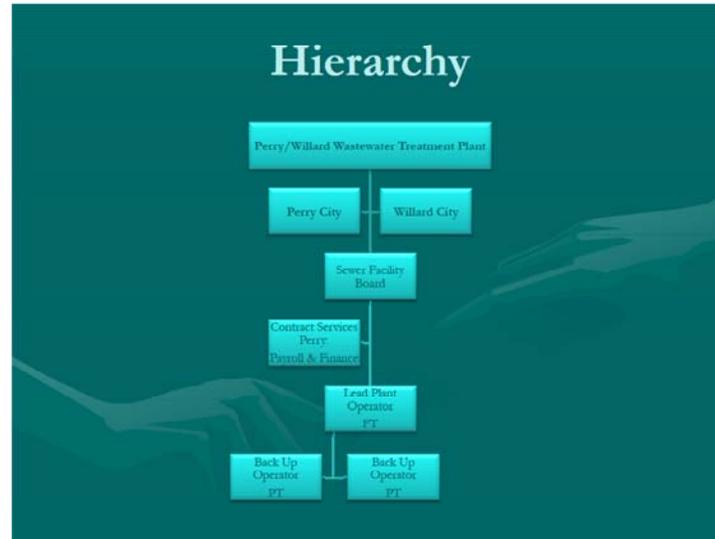
Salaries and Benefits: Budget Insufficient

### Possible Solutions

- Reduce Vehicle Expenses: use Perry or Willard

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# Partnership & Collaboration



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# Partnership & Collaboration

## Interlocal Agreement

- Ownership of Facility & Site: Perry City 66%, Willard City 34%
- Right To Use: Equal
- Sewer Facility Board: 5 Members. Will govern the operation, maintenance and improvement of the Facility.  
Responsibilities:
  - Hiring qualified personnel
  - Maintain and improve facility
  - Adopting Protocols and Procedures for operation, Rules and Regulations for Facility employees, and establish Policy for the Facility.
  - Facility Manager will report to Sewer Facility Board
  - Facility Manager and employees, shall be employees of Perry City

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## Needs Identified

- Partnership / Teamwork
- Bylaws
- Term Limits
- Policies
- Legal Taxing Entity Assistance
- Admin Fee Breakdown

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# Admin Cost Breakdown

WWTP ADMINISTRATIVE COSTS						
STAFF	Public Works Director	City Recorder	Chief Deputy Recorder	Treasurer	City Administrator	Total
HOURLY WAGE	\$20.82	\$18.25	\$15.23	\$15.23	\$36.96	
	REQUIRED TIME FOR TASK					
ADMINISTRATIVE TASKS						
Supervision	2.5					2.5
Human Resources	0.5					0.5
Payroll				0.25		0.25
Budget			1			1
Accounts Payable		1	1	0.75	0.25	3
<b>TOTAL PER WEEK</b>	<b>\$62.46</b>	<b>\$18.25</b>	<b>\$30.46</b>	<b>\$15.23</b>	<b>\$9.24</b>	<b>\$135.64</b>
						Annual Staff Costs \$7,053.28
						Office Equipment, Supplies, Utilities \$800.00
						<b>Total Costs \$7,853.28</b>
						Perry's Portion \$5,183.16
						Willard's Portion \$2,670.12

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# Financials

- Perry Sewer Fund Balance – Healthy

Sewer Fund (WW & Collections)	
<b>Total Fund Balance FY14</b>	<b>\$1,737,280.00</b>
<b>Debt Service Reserve Fund &amp; Emergency Repair</b>	<b>\$1,112,558.00</b>
Unreserved	\$624,722.00
<b>Per Interlocal Expansion Fund</b>	<b>\$49,527.76</b>
<b>Balance (Collection System)</b>	<b>\$575,194.24</b>

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## Financials

- Concern – Perry City is changing the budget without either city knowing.
  - Chairman Pettingill reported “He had a snapshot of the budget taken on January 20, 2015 and a different snapshot of the budget on January 21, 2015 which had some \$2,500 discrepancy in the budget”  
*(3/9/15 WWTB Mtg.)*
- Response – Mr. Pettingill requested a budget update on January 20<sup>th</sup>. Shanna Johnson informed him she was working on the December update and asked if he would like to wait. He requested what was currently available.
  - Shanna Johnson sent the November Budget Update on January 20<sup>th</sup>

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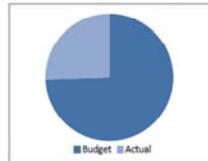
**Shanna Johnson**

From: Shanna Johnson  
 Sent: Tuesday, January 20, 2015 11:17 AM  
 To: Strve Pettingill Email; 'Jeff'  
 Subject: Budget Update November  
 Attachments: FY2015 Budget Update Nov 14

PERRY CITY BUDGET  
 FY2015

WWTP Operations Only						
Code	Description	Budget	Actual	Unexpended	%	Trend
4111	Salary	82,555.20	24,984.65	\$ 57,570.55	30.27%	93,649.54
4112	Temporary Employees - s	0.00	7,432.50	\$ (7,432.50)		
4113	Benefits	43,253.99	17,007.29	\$ 26,246.61	39.32%	49,132.17
4224	Supplies	6,250.00	3,125.50	\$ 3,124.50	50.01%	9,376.50
4225	Equipment	61,099.00	12,513.48	\$ 48,585.52	20.48%	37,540.44
4227	Utilities	75,335.00	33,379.87	\$ 41,955.13	44.31%	100,139.61
4300	Phos Removal Expense	22,500.00	6,458.34	\$ 16,041.66	28.70%	19,375.03
4301	Phos Removal Set-Up		-	\$ -		19,375.03
4335	Training & Travel	5,500.00	958.90	\$ 4,541.10	17.43%	2,876.70
4337	Prof. & Technical	15,400.00	6,214.34	\$ 9,185.66	40.35%	18,643.02
4441	Insurance	21,600.00	-	\$ 21,600.00	0.00%	0.00
4448	Disposal	7,000.00	1,640.00	\$ 5,360.00	23.43%	4,920.00
4700	Vehicle	5,500.00	4,729.28	\$ 770.72	85.99%	14,187.84
<b>Total</b>		<b>345,993.10</b>	<b>118,444.15</b>	<b>\$ 227,548.95</b>	<b>34.23%</b>	<b>349,840.85</b>

42% of Fiscal Year Has Elapsed



**BUDGET HEALTH**  
 GREEN

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Financials

- Shanna Johnson completed the December 2014 Budget Update on January 21, 2015
  - Shanna sent the December 2014 Budget Update on January 21, 2015 to Steve Pettingill in an effort to get him the most up to date data. The Actual Spent column changed to reflect the new months expenses.

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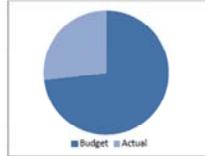
Shanna Johnson

From: Shanna Johnson  
 Sent: Wednesday, January 21, 2015 2:25 PM  
 To: Steve Pettingill Email; 'Jeff'  
 Subject: WWTP Budget Update December 2014  
 Attachments: FY2015 Budget Update Dec 14

PERRY CITY BUDGET  
 FY2015

WWTP Operations Only						
Code	Description	Budget	Actual	Unexpended	%	Trend
4111	Salary	82,555.20	27,736.25	\$ 54,818.95	45.60%	75,287.50
4112	Temporary Employees - S	0.00	9,807.50	\$ (9,807.50)		
4113	Benefits	43,253.90	21,383.94	\$ 21,869.96	49.44%	42,767.88
4224	Supplies	6,250.00	3,209.47	\$ 3,040.53	51.35%	6,418.94
4225	Equipment	61,099.00	12,095.20	\$ 49,003.80	19.80%	24,190.40
4227	Utilities	75,335.00	32,546.49	\$ 42,788.51	43.20%	78,111.58
4300	Phos Removal Expense	22,500.00	4,886.66	\$ 17,613.34	21.72%	9,773.32
4301	Phos Removal Set-Up		-	\$ -		9,773.32
4335	Training & Travel	5,500.00	1,769.93	\$ 3,730.07	32.18%	3,539.86
4337	Prof. & Technical	15,400.00	5,920.34	\$ 9,479.66	38.44%	11,840.68
4441	Insurance	21,600.00	-	\$ 21,600.00	0.00%	21,600.00
4448	Disposal	7,000.00	3,320.00	\$ 3,680.00	47.43%	6,640.00
4700	Vehicle	5,500.00	3,682.44	\$ 1,817.56	66.95%	7,364.88
<b>Total</b>		<b>345,993.10</b>	<b>126,458.22</b>	<b>\$ 219,534.88</b>	<b>36.55%</b>	<b>287,535.04</b>

60% of Fiscal Year Has Elapsed



BUDGET HEALTH  
 GREEN

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## Financials

- Concern – Perry City has made unauthorized transactions with regards to the Wastewater Facility.
- Response – Every financial transaction regarding the Wastewater Facility is approved by the board at their monthly Board Meetings. Payment Approvals Include:
  - Detailed Ledger for Monthly Expenses
  - Budget update
  - Accounting of any Grant related items
  - Any adjustments
- Every Payment approval presented has been signed with no questions or negative feedback.

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## Administrative Charges

- Concern – Perry City is Charging thousands of dollars for their services.
  - Chairman Pettingill said “we are currently paying (if he looks at his budget) either \$7,200 or \$9,900 a year.” (2/9/15 WWTB Mtg.)
  - November & December 2014 Budget Update

WWTP Operations Only						
Code	Description	Budget	Actual	Unexpended	%	Trend
4111	Salary	82,555.20	24,984.65	\$ 57,570.55		
4112	Temporary Employees - \$	0.00	7,432.50	\$ (7,432.50)	39.27%	93,649.54
4113	Benefits	43,253.90	21,383.94	\$ 21,869.96	49.44%	42,767.88
4224	Supplies	6,250.00	3,209.47	\$ 3,040.53	51.35%	6,418.94

WWTP Operations Only						
Code	Description	Budget	Actual	Unexpended	%	Trend
4111	Salary	82,555.20	27,736.25	\$ 54,818.95		
4112	Temporary Employees - \$	0.00	9,907.50	\$ (9,907.50)	45.60%	75,287.50
4113	Benefits	43,253.90	21,383.94	\$ 21,869.96	49.44%	42,767.88
4224	Supplies	6,250.00	3,209.47	\$ 3,040.53	51.35%	6,418.94

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# Administrative Charges

▫ January 2015 Budget update

WWTP Operations Only						
Code	Description	Budget	Actual	Unexpended	%	Trend
4111	Salary		33,839.45			
4112	Temporary Employees	82,555.20	13,507.50	35,208.25	57.35%	82,068.05
4113	Benefits	43,253.90	27,658.44	\$ 15,595.46	63.94%	47,941.30
4224	Supplies	6,250.00	3,807.34	\$ 2,442.66	60.92%	6,526.87
4225	Equipment	61,099.00	20,393.95	\$ 40,705.05	33.38%	34,961.06
4227	Utilities	75,335.00	45,969.96	\$ 29,365.04	61.02%	91,939.92
4300	Phos Removal Expense	22,500.00	7,125.32	\$ 15,374.68	31.67%	12,214.83
4301	Phos Removal Set-Up		-	\$ -		
4335	Training & Travel	5,500.00	1,925.22	\$ 3,574.78	35.00%	3,300.38
4337	Prof. & Technical	15,400.00	6,952.34	\$ 8,447.66	45.15%	11,918.30
4441	Insurance	21,600.00	-	\$ 21,600.00	0.00%	21,600.00
4448	Disposal	7,000.00	3,320.00	\$ 3,680.00	47.43%	5,691.43
4700	Vehicle	5,500.00	4,675.98	\$ 824.02	85.02%	8,015.97
<b>Total</b>		<b>345,993.10</b>	<b>169,175.50</b>	<b>\$ 176,817.60</b>	<b>48.90%</b>	<b>326,178.09</b>

59% of Fiscal Year Has Elapsed

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## Myth vs. Fact - Administrative Charges

- Response – The line item referred to (4112) is the Asst. Plant Operators Wages

Employee Number	Payee			Social Security Number	Reference Number	Check Number	M	Pay Period End Date	Check Issue Date	Net					
101	Russell, Kenneth D.			524-98-6680	23	10134		01/31/2015	02/06/2015	890.56-					
PC	Title	Hr/Un	Rate	Amount	D	GL Account	FT	PC	Title	Hr/Un	Rate	Amount	D	GL Account	FT
1-00	Regular Pay	72.00	15.0000	1,080.00		20-20-00-41		7-00	Holiday Pay	8.00	15.0000	120.00		20-20-00-41	
9-01	Comp Time	2.00	.0000	0.00		20-20-00-41		40-01	401K	.00	.0000	48.00-		10-00-00-12	
60-08	PEHP - Health	.00	.0000	88.95-		10-00-00-12		61-01	PEHP DENT	.00	.0000	24.20-		10-00-00-12	
64-01	Opticare	.00	.0000	5.99-		10-00-00-12		74-00	Social Securi	.00	.0000	74.40-		10-00-00-12	
75-00	Medicare	.00	.0000	17.40-		10-00-00-12		76-00	Federal With	.00	.0000	20.58-		10-00-00-12	
77-00	State Withhol	.00	.0000	29.92-		10-00-00-12		85-00	Net Pay	.00	.0000	890.56-		01-00-00-11	

Public Works Account Summary					
GL Account	Debit	Credit	GL Account	Debit	Credit
01-00-00-1111	.00	9,556.49-	10-00-00-1222	.00	2,656.72-
10-00-00-1229	.00	240.00-	10-00-00-1231	.00	1,054.29-
20-20-00-4112	13,507.50	.00			
Grand Totals:	13,507.50	13,507.50-			

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## Administrative Charges

- Concern – Perry City is using Administrative Charges funded by the Sewer Facility to fund Shanna Johnson’s pay increase.

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# Administrative Charges

- Response – Shanna Johnson’s wages are 100% funded by the General Fund.

Perry City Payroll Register - Detail - by Department  
 Pay Period Dates: 7/6/2014 to 1/31/2015 Page: 5  
 Mar 19, 2015 08:04AM

Employee Number	Payee	Social Security Number	Reference Number	Check Number	M	Pay Period End Date	Check Issue Date	Net							
60	Johnson, Shanna S.	528-65-1695	8	10114		01/31/2015	02/06/2015	1,214.34							
PC	Title	Hr/Un	Rate	Amount	D	GL Account	FT	PC	Title	Hr/Un	Rate	Amount	D	GL Account	FT
1-00	Regular Pay	71.75	24.5000	1,757.88		10-48-00-41		7-00	Holiday Pay	8.00	24.5000	196.00		10-48-00-41	
9-01	Comp Time	2.00	.0000	0.00		10-48-00-41		9-02	Comp Time	25	24.5000	6.13		10-48-00-41	
40-01	401K	.00	.0000	78.40		10-00-00-12		41-00	401K Loan	.00	.0000	90.53		10-00-00-12	
60-06	PEHP - Health	.00	.0000	88.95		10-00-00-12		61-01	PEHP DENT	.00	.0000	24.20		10-00-00-12	
62-00	Additional Lif	.00	.0000	20.90		10-00-00-12		63-00	AFLAC	.00	.0000	35.82		10-00-00-12	
64-01	Opticare	.00	.0000	5.99		10-00-00-12		65-00	Flex Health	.00	.0000	62.50		10-00-00-12	
70-03	Pre Paid Leg	.00	.0000	13.45		10-00-00-12		70-04	Cell Phone C	.00	.0000	5.68		10-00-00-12	
74-00	Social Securi	.00	.0000	117.65		10-00-00-12		75-00	Medicare	.00	.0000	27.51		10-00-00-12	
78-00	Federal With	.00	.0000	110.24		10-00-00-12		77-00	State Withhol	.00	.0000	63.85		10-00-00-12	

Administration Account Summary

GL Account	Debit	Credit	GL Account	Debit	Credit
01-00-00-1111	.00	17,637.21	10-00-00-1222	.00	4,427.16
10-00-00-1223	.00	267.82	10-00-00-1228	.00	501.46
10-00-00-1229	.00	1,939.79	10-00-00-1231	.00	2,793.63
10-00-00-1232	.00	105.00	10-48-00-4111	27,672.09	.00

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## Administrative Charges & Cost Savings

- Has been Reported – Moving Financial, Payroll, & Clerical Assistance from Perry City will save thousands of dollars.
- Response – Perry City has only charged 1 year of services to the Wastewater Treatment Facility Budget in 5 years.

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## Administrative Charges & Cost Savings

- FY2012 Charges: \$7,850
  - Perry (66%): \$5,181.00
  - Willard (34%): \$2,669.00

	Allowed Billing	Charged at 34%	Not Charged
FY2010	Operations billing started July 2010		
FY11	\$7,800.00	No charges	\$2,652.00
FY12	\$7,850.00	\$2,669.00	\$0.00
FY13	\$7,800.00	No charges	\$2,652.00
FY14	\$7,800.00	No charges	\$2,652.00
		<b>Total</b>	<b>\$7,956.00</b>

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## Administrative Charges & Cost Savings

- In the spirit of Partnership Perry City has not charged for services. This has allowed for budget to be utilized for wages and supplies needed for operations.

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# Administrative Charges & Cost Savings

WWTP Board Payment Approval  
June 2011

Board Member	Signature
Steve Pettingill – Board Chairman	
Bruce Howard – Perry City	
Paul Nelson – Perry City	
Rod Mund – Willard City	
Jay Aguliar – Willard City	

Expense Breakdown	
Total O&M Expenses	\$11,652.35
Total Adjustments (see attached)	\$2,605.86
Total After Adjustments	\$14,258.21
Perry City's Portion	\$9,410.42
Willard City's Portion	\$4,847.79

WWTP Board Payment Approval  
June 2012

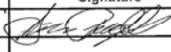
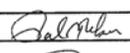
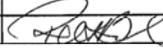
Board Member	Signature
Steve Pettingill – Board Chairman	
Bruce Howard – Perry City	
Paul Nelson – Perry City	
Rod Mund – Willard City	
Jay Aguliar – Willard City	

Expense Breakdown	
Total O&M Expenses	\$9,332.69
Adjustment - Phos O&M Exp	(\$119.35)
Annual Admin Fee	\$7,850.00
Total After Adjustments	\$17,063.34
Perry City's Portion	\$11,261.80
Willard City's Portion	\$5,801.54

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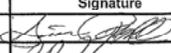
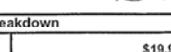
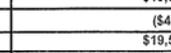
# Administrative Charges & Cost Savings

WWTP Board Payment Approval  
June 2013

Board Member	Signature
Steve Pettingill – Board Chairman	
Bruce Howard – Perry City	
Paul Nelson – Perry City	
Rod Mund – Willard City	
Robert Beebe – Willard City	

Expense Breakdown	
Total O&M Expenses	\$18,692.29
Adjustment - Phos O&M Exp	(\$1,664.83)
Total After Adjustments	\$17,027.46
Perry City's Portion	\$11,238.12
Willard City's Portion	\$5,789.34

WWTP Board Payment Approval  
June 2014

Board Member	Signature
Steve Pettingill – Board Chairman	
Bruce Howard – Perry City	
Paul Nelson – Perry City	
Rod Mund – Willard City	
Robert Beebe – Willard City	

Expense Breakdown	
Total O&M Expenses	\$19,998.47
Adjustment - Phos O&M Exp	(\$401.56)
Total After Adjustments	\$19,596.91
Perry City's Portion	\$12,933.96
Willard City's Portion	\$6,662.95

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Administrative Charges & Cost Savings

- Response – Costs will Increase:
  - Accounting - \$3,600 annually, possibly more
    - Willard (34%) - \$1,224
    - Perry (66%) - \$2,376
  - Clerical - \$100 per meeting, min. \$1,200 annually
    - Willard (34%) - \$408.00
    - Perry (66%) - \$792.00
  - Currently only being billed actual O&M expenses as per allowed in Interlocal Agreement.
    - Willard currently charged on average \$7,878 per mos.
    - Perry currently charged on average \$15,293 per mos.

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## Administrative Charges & Cost Savings

- Response - Costs will Increase
  - New Billing Planned to be 1/12 of budget (not as stated in interlocal agreement)
    - Willard Amt Based on FY15 - \$9,166 per mos.  
\$1,288 more
    - Perry Amt Based on FY15 - \$17,792 per mos.  
\$ 2,499 more

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Administrative Charges & Cost Savings

- Estimated Total Annual Increase
  - Willard - \$17,088
  - Perry - \$33,156.00
- Plus Additional Proposed Costs
  - Paying Board Members
  - Paying Spur Members
  - Hiring Attorney
  - Audit Expense
  - Actual Costs Unknown

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Value Gained through Partnership

- 4 years of free financial assistance
- State Compliance – No Audit Findings
- Funding needed for operations
- 4 years free Grant Management
- 4 years free Personnel / H.R. assistance
- 4 years free clerical assistance – Minutes & Agendas

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Concerns with Proposed Financial Plan

- Legality of Tax ID (Board not an Interlocal Agency or SSD)
- Liability of Checking Account for the cities
- Checks and Balance / Separation of Duties
- Compliance with GASB
- Transparency Reporting
- Other State Reporting
- Audit Implications for the cities
- Start up Funding – Perry Currently fronts costs
- Fund Balance being held by Board
- Bonding for Financial Responsible Parties
- FLSA & Other Pay Laws being followed
- URS (Retirement) for WW employees
- Billing Procedures & Compliance with Interlocal Agreement

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

**From:** David Rogers [davidr@davisbott.com]  
**Sent:** Tuesday, February 10, 2015 11:35 AM  
**To:** Shanna Johnson  
**Subject:** RE: WWTP Financials

Shanna,

My appointment cancelled, so I have had some time to think about this.

From what you are saying, it seems to me that the WWTP wants to completely break off from Perry City. I don't think it would work to only do a partial breakoff by transferring the A/P function and payroll. You may want to clarify with them the extent of the split that they desire.

Regarding payroll, if they broke off, they wouldn't be employees of Perry City, they'd be employees of the new interlocal entity. I believe that other interlocal entities have employees that participate in the state retirement system, but there may be some work to set that up. If they don't completely break off, I don't think payroll should be separated and given to them.

Assuming the WWTP wants to create an interlocal entity, the interlocal entity would charge the cities a monthly or annual fee to maintain and operate the WWTP. Once Perry paid their fee, any excess funds would remain with the WWTP, theoretically to provide funds for major repairs or purchases in the future. Perry, Willard and the interlocal entity would have to agree how much the WWTP fee should be to cover all of their costs and future replacements/upgrades.

An interlocal entity is created when two entities enter into an interlocal agreement as outlined in Utah Code 11-13-202 to approve the creation of the interlocal entity as outlined in Utah Code 11-13-203. The two cities do not need to create a special district. The cities should have an attorney help them with the agreement and creation of the entity.

I hope this information helps. In summary, I don't think a partial split would work, but I do think if everyone agreed, the WWTP could be split into an interlocal entity.

Thanks,

**David R Rogers, CPA**  
Davis & Bott CPAs  
Brigham City, UT 84302  
435-723-5224

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

**From:** Chuck Palmer [chuck@ogden-cpas.com]  
**Sent:** Tuesday, April 14, 2015 8:19 AM  
**To:** Shanna Johnson  
**Subject:** RE: Input on WWTP Concerns

Shanna,

I agree with you concerns about the waste plant.

1<sup>st</sup> – the plant should not have its own Tax Id number. It is not a legal separate entity. I believe the 2 cities would need to create a special district for the plant to be its own entity.

2<sup>nd</sup> – the plant can have its own bank account but only if authorized and approved by the city. Including approving the authorized signers on the account.

3<sup>rd</sup> – if the plant had its own bank account, there needs to be checks and balances. The preparer of the checks need to be someone other than the signers. The bank statement should come to the city and be reconciled by you.

4<sup>th</sup> – since they are not a separate entity they are not going to have separate reporting to the state auditor and transparency site. Those things are going to still have to fall under the cities reporting requirements.

5<sup>th</sup> – if the plant had its own accounting system, this would increase both accounting burden for the city and the audit time. If not a separate entity, the city would have to find a way to merge the transactions into the city's books and reports. May increase your software cost for accounting. For the audit, we would need to spend time reviewing the controls and accounting at the plant and then need to reconcile the accounting between the city and plant. If it was a special district, it would be required to have its own audit and then need to be included in the audit as a component unit of the city. Treated like the Flood Control District but required to have a full audit.

6<sup>th</sup> – The fund balance is not cash that can be held in a bank account. This is an accounting term for the difference between total assets less the liabilities. At 6/30/14 the fund balance was \$4,019,722. Of that amount \$2,282,442 is net assets in plant and equipment. Tracking the fund balance is why the sewer fund was broken out into its own fund when the plant was built. This was a requirement of the bonds and not something that can be held by the board.

7<sup>th</sup> – I am not sure how the bond covenants relate to the ownership of the plant. But I think the bonds may have to be re-bonded to put them in the name of a new district.

8<sup>th</sup> – unless the plant is its own entity the payroll is going to have to run through the city for retirement and benefits.

From what I know, I don't think it is the accounting that is the issue. But if there are concerns about the accounting, we can do a more detailed review of the accounting just for that fund. The accounting could be done at the plant, but only with proper controls. I do think it would cause duplication of costs. You would need computer equipment, software and accounting personal.

Let me know how we can help.

Thanks again,

Chuck

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Concerns with Proposed Financial Plan

- The Wastewater Treatment Facility Board is a board not an Interlocal Entity/Agency.
- Creating an Interlocal Entity/Agency would require a new Interlocal Agreement between the cities.

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

**11-13-202.5. Approval of certain agreements -- Review by attorney.**

(1) Each agreement under Section 11-13-202 and each agreement under Section 11-13-212 shall be approved by:

- (a) except as provided in Subsections (1)(b) and (c), the commission, board, council, or other body or officer vested with the executive power of the public agency;
- (b) the legislative body of the public agency if the agreement:
  - (i) requires the public agency to adjust its budget for a current or future fiscal year;
  - (ii) includes an out-of-state public agency as a party;
  - (iii) provides for the public agency to acquire or construct:
    - (A) a facility; or
    - (B) an improvement to real property;
  - (iv) provides for the public agency to acquire or transfer title to real property;
  - (v) provides for the public agency to issue bonds;
  - (vi) creates an interlocal entity; or
  - (vii) provides for the public agency to share taxes or other revenues; or
- (c) if the public agency is a public agency under Subsection 11-13-103(13)(b), the director or other head of the applicable state department, division, or agency.

(2) If an agreement is required under Subsection (1) to be approved by the public agency's legislative body, the resolution or ordinance approving the agreement shall:

- (a) ~~specify the effective date of the agreement, and~~
- (b) if the agreement creates an interlocal entity:
  - (i) declare that it is the legislative body's intent to create an interlocal entity;
  - (ii) describe the public purposes for which the interlocal entity is created; and
  - (iii) ~~describe the powers, duties, and functions of the interlocal entity~~

(3) The officer or body required under Subsection (1) to approve an agreement shall, before the agreement may take effect, submit the agreement to the attorney authorized to represent the public agency for review as to proper form and compliance with applicable law.

Enacted by Chapter 38, 2003 General Session

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Concerns with Proposed Financial Plan

- Creating a Special Service District would require..

**17D-1-208. Adoption of a resolution or ordinance approving the creation of a special service district.**

(1) Subject to the provisions of and as provided in this part, the legislative body of a county or municipality may adopt a resolution or ordinance approving the creation of a special service district.

(2) (a) Subject to Subsection (2)(b), a resolution or ordinance adopted by a legislative body under Subsection (1) may contain changes from the proposal as set forth in a resolution under Subsection 17D-1-203(1)(a) or a petition under Subsection 17D-1-203(1)(b), including changes in:

- (i) the boundary of the special service district; and
- (ii) the services to be provided by the special service district.

(b) The legislative body of a county or municipality may not adopt a resolution or ordinance under Subsection (1) that approves the creation of a special service district with a boundary that includes more area than is included in, or that authorizes the special service district to provide a service not proposed in, a resolution under Subsection 17D-1-203(1)(a) or a petition under Subsection 17D-1-203(1)(b), unless the requirements of Sections 17D-1-205, 17D-1-206, and 17D-1-207 are met with respect to the additional area or service, as the case may be.

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.

## Concerns with Proposed Financial Plan

- Perry City has requested Partnership & Collaboration in answering these financial concerns and is awaiting a presentation from the WWTB

This is part of an entire presentation – Please see the April 16, 2015 City Council Meeting Minutes for the entire context.