

**CHERRY VALLEY SEWER DISTRICT
&
CHERRY VALLEY ROCHDALE WATER DISTRICT
BOARD OF COMMISSIONERS' JOINT MEETING**

**MEETING MINUTES
December 10, 2018
10:00 A.M.**

- I. CALL TO ORDER Chairman Levesque called the meeting to order at 10:00 AM with the following present:

Donald G. Manseau, Chairman - CVSD
Victor M. Taylor, Commissioner - CVSD
Michael DellaCava, Commissioner – CVSD & CVWRD
Arthur Levesque, Commissioner - CVWRD
Benjamin J. Morris, Superintendent
Jennifer Wood, Treasurer
Cheryl Balkus, Recording Secretary
Karen Spinelli, Auditor
Greg Buteau, CVRWD customer, not a CVSD customer
Tom Lennon, CVRWD & CVSD customer

II. INVOKE RULE OF NECESSITY

Michael DellaCava, Commissioner - CVRWD & CVSD acknowledged a potential conflict and invoked the rule of necessity
Victor Taylor, Commissioner – CVSD acknowledged a potential conflict and invoked the rule of necessity
Don Manseau, Chairman – CVSD acknowledged a potential conflict and invoked the rule of necessity
Arthur Levesque, Commissioner – CVRWD acknowledged a potential conflict and invoked the rule of necessity

III. FINANCE

A. **Auditors Presentation**

Customer Buteau requested copy of the Audit Reports. Approved by Chairman Manseau and Commissioner DellaCava. Chairman Manseau introduced Auditor Karen Spinelli, CPA Managing Partner of Spinelli Accountants > Advisor to present the financial audit reports for the Cherry Valley Sewer District and the Cherry Valley Rochdale Water District. The audits cover management & auditor responsibility. It is an unmodified, clean opinion report. The audited financial statements for the Cherry Valley Sewer District and the Cherry Valley Rochdale Water District is of year ending June 30, 2018.

CVSD Audit Review: Management believes that the Districts financial condition is not strong at June 30, 2018. Total assets were \$7,456,036 and \$8,300,346 for the years ended June 30, 2018 and 2017, Net assets were \$3,656,520 and \$4,201,592 for the years ended June 30, 2018 and 2017,. Operating Revenue for the years June 30, 2018 and 2017 was \$540,444 and \$367,446. Changes in net assets for the years June 30, 2018 and 2017 were net losses of \$545,072 and \$659,368. The statements include nets

assets, change in net assets, revenue expenses, cash flows and notes to financial statements. The Districts decrease in operating revenue is due largely to a decrease in sewer betterments being paid down. Capital & Total Assets are both down, accrued interest remained the same and long term debt is \$171,000.00. The total liabilities and net assets decreased \$145,000.00. Operation expenses increased due to the City of Worcester and the Upper Blackstone, other operating expense, no sub contactors were used. Cash Flows decreased approximately \$14-\$15,000.00. The CVSD has expenses that are much higher than the amount of revenue that is being brought in, as a result CVSD continues losses year after year and this is a major concern. Management needs to address a plan to increase revenue and/or decrease costs. The internal reports page covers if there are any deficiencies. During the audit they did not identify any deficiencies in internal control over financial reporting. Customer Buteau had a question regarding notes 4 & 9 with the Sewer District trying to seek ways to get assistance regarding letter to the Governor in April. He asked is using money from the betterment account an acceptable practice and inquired to the auditor if she is aware if we are using the betterment CD to pay debts. Customer Buteau also commented that money remaining will only be 2 years. Auditor Karen Spinelli affirmed that it is recognized, that management is trying to lower expenses and reaching out for the assistance with no easy answer. Customer Buteau concerned that this has been an ongoing issue. CVSD is overwhelmed with the fees from the City of Worcester & the Upper Blackstone. Did we know the technical and the financials in the beginning? No, it's inevitable that the Sewer District is going to go into bankruptcy. The auditor questioned, when CVSD goes bankrupt who takes over? Customer Buteau asked if the loans could be refinanced at a lower rate. Treasurer Jennifer Wood explained that we did attempt this and due to the Sewer Districts financial background it was all denied.

Chairman Manseau also affirmed that the Sewer District is not doing well and spoke with the Town Manager who is aware that this is where CVSD is at. Chairman Manseau asked the auditor if she has any recommendations. Her response was to decrease expenses, increase rates, try to obtain money from the grants and keep in contact with the town, Governors' office, selectman etc... Customer Lennon, asked if there are more customers then we are not eligible for the grants, but if we are part of the town we would be eligible? The Superintendent stated in order to be eligible for a grant the district would have to have a project. Grants classifications have been changed over the years.

Audit Communications Report for the Sewer District is about responsibilities of the auditors. The firm is completely independent of the district. There are no new policies in place for the last year, no disclosures being sensitive, no difficulties with management, no problems with reports, received signed representation, no material identified or significant weakness in the audit.

Commissioner Taylor motioned to accept the drafts. Commissioner DellaCava seconds the motion to accept the draft. All in favor. Approved.

CVRWD Audit Review: Management believes the District's financial condition is strong. The financial statements report information is about the District using full accrual accounting methods that include statements of net assets; statements of revenue, expenses, changes in net assets, cash flows and notes to the financial statements. Total assets as of June 30, 2018 and 2017 were \$5,480,433 and \$5,119,126, Net assets for the same time period are \$3,104,889 and \$2,656,757 and operating revenue was \$1,588,469 and \$1,384,109. The change in net assets were a net profit of

\$448,141 and \$149,549. Actual operating expenses were less than budgeted amounts by \$242,304 for the year ended June 30, 2018, Capital Assets had \$3,080,360 and \$3,171,101 invested in capital assets. There are two outstanding notes with the USDA with a total balances of \$651,771 and two with the Massachusetts Water Pollution Abatements Trust with total balances of \$886,539. Accounts receivables water liens net increase was \$2,500.00, prepaid increase \$2,300.00, Capital decreased by \$91,000.00, New Equipment for \$5,000.00, automation increase \$43,000.00, deferred outflows down with a decrease of \$5,000.00, deferred revenue from cell tower & solar \$12,000.00, With the decrease pay down of loans, net assets increase \$448,000.00. The Income statement received increase \$192,000.00 due to the water rates, Operation expenses are down \$21,000.00. This is as a result of decreases in operating expenses such as insurance, supplies, consulting services, lab fees and subcontractors. Non Operations: The City of Worcester up \$84,000.00, compared to last year difference of increase \$299,000. There are no changes in accounting policies, capital assets, long term debt, future maturities, assets, pension plan retirement system, subsidy revenue. The operating budget was \$242,000 less than what was budgeted. Internal Controls: No material weakness or deficiencies findings.

Audit Communications Report for the Water District is about the responsibilities of the auditors, the firm is completely independent of the district. There are no new policies in place for the last year, no disclosures being sensitive, no difficulties with management, no problems with reports, received signed representation, no material identified or significant weakness in the audit.

Commissioner DellaCava motioned to accept the draft, seconded by Commissioner Levesque. All in favor. Approved.

IV. ADMINISTRATION

- A. Service Agreement Revision – The Superintendent worked on different insurance plans to save costs. We did not have anything in the service agreement regarding liability that discussed who was responsible for what. After speaking with Attorney Barry Bachrach a Mutual Indemnity Clause was written to prevent any problems with each district battling any claims and to better protect as a whole.

Customer Buteau asked if there is Insurance liability for each district. The Superintendent stated it's required to have both districts covered though same employees and also wanted to add there is a minor savings. The insurance company visited sites and uncovered that previous policies did not have this when it should have. Customer Lennon asked if there is a difference in cost compared to water and sewer. The Superintendent stated that water is more because of more equipment involved as opposed to sewer. If we can find ways to save money we will do it and wanted to present it to both of the districts.

Commissioner Taylor, motioned to accept the Mutual Indemnity and Certificate of Liability seconded by Commissioner DellaCava. All in favor. Approved.

V. COMMUNICATIONS

VI. PERSONNEL

VII. DATE OF NEXT MEETING

- A. **CVRWD** - Commissioner DellaCava motioned to hold the next meeting January 14th @ 10:00 AM. Seconded by Commissioner Levesque. All in favor. Approved.
- B. **CVSD** - Commissioner Taylor motioned to hold the next meeting January 10th @ 7:00 PM. Seconded by Chairman Manseau. All in favor. Approved.

- VIII. ADJOURNMENT - Commissioner DellaCava motioned to adjourn the CVRWD & CVSD Joint Meeting. Seconded by Chairman Manseau. All in favor. Approved. Meeting adjourned at 11:10 AM.

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