

To: Larry Bain, CPA
Cc: Darlene Gillum, Director of Administration
From: Mike Martel

Generally, you understand my concerns over the annual increases in rates charged the community without there being any significant increase in the customer base or the usage when it comes to water and sewer.

You also know my concern about the excess "profits" that we as a Board have had little input into holding the line on -- with the rate increases that have a poor trajectory.

Questions for Larry :

1. Current and other assets up by \$500,000. Explain why that happened
2. Revenues up by \$500,000 but Operating Expenses were up by half that ?
3. Why is there a decrease in 'reserve fees' ? pg 6
4. Increase of Cal Waste charges based on HHW (9.5%) pg 6
5. Construction in progress stayed the same on sewer fund year to year (supplemental pg 25)
6. Security construction in progress (24,576) pg 25 Explain
7. Investments in designated "funds". What is restricted and what is unrestricted. Who determines where the unrestricted funds go on a year to year basis.
8. As to allocation of profits to reserves, what legally are we permitted to do with those funds.
9. Due from Developers ? (Water/Sewer – who owes and how is it collected – what secures the performance of this)
10. Is there an audit trail of the hook ups that went to the south developers ? How would I as a Board member know if these were paid for?
11. How can the Board follow the foreclosure process directly on the special district. We had to wait 3 years to collect on the Lakeview foreclosure. My understanding is that we are obligated as a Board to pursue immediate foreclosure. How do we as Board members see these delinquencies.
12. Why did prefunding of the water plant (debt reserve fee) shrink in 2013? pg 11
13. Transmission and distribution (water dept) increased by \$133,000, why ?
14. Pg 33-legal and audit in water fund doubled.
15. Solid waste fund expense for HHW (\$23,000).
16. Pg 41 increase in special taxes in one year \$37,000 Security.
17. Is there a statutory limit on Administration of Special Districts.
18. Is there any disclosure necessary for litigation ?
19. In your preparation of the audit, was there any management discussion or supplemental information that would cause you any concern – what size does it take to be a significant event
20. Audit fees – how are they allocated to special districts ? What flexibility to allocate your fees?