

**SEAL ROCK WATER DISTRICT**  
**Board of Commissioners**  
**Regular Monthly Board Meeting Agenda**  
**Thursday, October 10, 2024, @ 4:00 p.m.**  
**This will be a hybrid meeting**

SRWD will conduct this meeting in person and using Zoom video conferencing due to the restricted capacity for in-person gatherings and our commitment to prioritize the safety of the public and our employees. We strongly encourage the public to participate in this meeting electronically. To access further information, including registration details, please visit the SRWD website at [www.srwd.org](http://www.srwd.org) on the day of the meeting. We invite members of the public to submit written comments regarding agenda items by emailing [tkarsen@srwd.org](mailto:tkarsen@srwd.org) no later than 2:00 p.m. on the day of the meeting. Submitted comments will be shared with the SRWD Board of Commissioners and will become part of the permanent record.

- **Call Regular Meeting to Order:**

- **Announcements/Visitor Public Comments:** *The public comment period provides the public with an opportunity to address the Commissioners regarding items on the agenda. Please limit comments to (3) minutes.*

- **Consent Calendar:**

*Managers' reports included under the consent calendar are an executive summary provided to Commissioners as an update of system conditions, projects, and programs. Management welcomes your feedback and requests more detailed information regarding any item before or during the meeting:*

- Invoice List September to October 2024
- Board Meeting Minutes September 19, 2024
- Financial Report / Approve Invoices September to October 2024
- USDA PMR Phase IV No. 49 October 10, 2024
- General Manager's Monthly Report September to October 2024

- **Discussion and Information Items:**

- Consider Water Treatment Plant Heater Element Update.  
Presented by: Adam Denlinger, General Manager

- **Decision Items:**

- Consider a motion to approve moving the November Regular Monthly Board Meeting to November 21st.  
Presented by: Adam Denlinger, General Manager
- Consider Approving the Municipal Auditor Engagement Letter with Grimstad & Associates, Certified Public Accountants.  
Presented by: Joy King-Cortes, SRWD Finance Manager

- **Reports, Comments, and Correspondence:**

- Phoenix National Laboratories, Metallurgical report September 17, 2024
- The General Manager is scheduled to participate in the Tri-State Water Utility Council Annual Meeting in Vancouver Washington on November 7th.
- The General Manager is scheduled to attend the SDAO/SDIS Joint Meeting on November 13th and 14th in Salem.
- Employee Appreciation Luncheon is scheduled for December 12th @ 12:00 noon, followed by the December regular monthly Board Meeting @ 2:00 p.m.

- **Executive Session: according to ORS 192.660(2), Concerning:**

The SRWD Board may meet in Executive Session, pursuant to ORS 192.660(2)(h); To consult with legal counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed. Representatives of the news media and designated staff shall be allowed to attend the executive session. All other members of the audience are asked to leave the room. Representatives of the news media are specifically directed not to report on any of the deliberations. No final decisions shall be made in the Executive Session.

- **Adjournment:** Next Meeting: **November 21, 2024, @ 4:00 p.m.** Regular Board Meeting or established date.

THIS AGENDA MAY BE AMENDED UNTIL 3:00 PM THE DAY BEFORE THE MEETING

SPECIAL ACCOMMODATIONS WILL BE PROVIDED WITH 48 HOUR NOTICE; CALL 541-563-3529.  
IF HEARING IMPAIRED, PLEASE DIAL 711 OR CALL TTY#1-800-735-1232  
This Institution is an Equal Opportunity Employer and Service Provider

**ORIGINAL**

## Report Criteria:

Detail report.  
Invoices with totals above \$0 included.  
Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount
<b>01-1310</b>				
JOHN FILLMORE	092024	Refund Overpayment Final Bill	09/20/2024	224.62
Total 01-1310:				224.62
<b>01-5271</b>				
CHARTER COMMUNICATIONS	001293709192	Internet (Office)	09/19/2024	134.98
Total 01-5271:				134.98
<b>01-5272</b>				
AT&T MOBILITY	09232024	Wireless	09/15/2024	296.90
Total 01-5272:				296.90
<b>01-5274</b>				
AT&T MOBILITY	09232024	Wireless WTP	09/15/2024	51.48
Total 01-5274:				51.48
<b>01-5290</b>				
STAPLES BUSINESS ADVANTA	6011830032	Westcott Stainless Steel Rulers 6"	09/14/2024	3.38
Total 01-5290:				3.38
<b>01-5310</b>				
BIO-MED	109495	Non-DOT Post-accident Test Blood Alcohol Test (Sutherland)	09/12/2024	40.00
TCB SECURITY SERVICES INC.	246298	Base Monthly Account Fee	10/01/2024	45.00
TCB SECURITY SERVICES INC.	246298	Level 1 Calls	10/01/2024	14.80
Total 01-5310:				99.80
<b>01-5610</b>				
CENTRAL LINCOLN P.U.D.	092024	Utility Services	09/20/2024	1,356.65
Total 01-5610:				1,356.65
<b>01-5611</b>				
CENTRAL LINCOLN P.U.D.	092024	WTP Utility Services	09/20/2024	2,259.16
Total 01-5611:				2,259.16
<b>01-5621</b>				
CALEB STOKES	100124	Mileage Reimb. (WD 1 Exam) in Independence (Stokes)	10/01/2024	106.66
CALEB STOKES	100124	Meal Reimb. (WD 1 Exam) in Independence (Stokes)	10/01/2024	52.00
Total 01-5621:				158.66
<b>01-5630</b>				
USA BLUE BOOK	INV00477746	Rhino fibercurve posts	09/09/2024	609.00
USA BLUE BOOK	INV00477746	water valve decal	09/09/2024	35.79
USA BLUE BOOK	INV00477746		09/09/2024	91.26

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount
Total 01-5630:				736.05
<b>01-5691</b>				
CITY OF TOLEDO	0000040	Treated Water 2,000 gal @ \$11.22/1000 (July 2024 repair work)	08/01/2024	22.44
Total 01-5691:				22.44
Grand Totals:				5,344.12

W

Dated: OCT-1-2024

General Manager: [Signature]

Dated: \_\_\_\_\_

Treasurer: \_\_\_\_\_

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included.
- Paid and unpaid invoices included.

**ORIGINAL**

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included.
- Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount
<b>01-5064</b>				
GLEN MORRIS	179	Stipend	10/10/2024	50.00
KAREN OTTA	179	Stipend	10/10/2024	50.00
PAUL HIGHFILL	179	Stipend	10/10/2024	50.00
ROB MILLS	179	Stipend	10/10/2024	50.00
SAUNDRA MIES-GRANTHAM	179	Stipend	10/10/2024	50.00
Total 01-5064:				250.00
Grand Totals:				250.00

Dated: \_\_\_\_\_

General Manager: \_\_\_\_\_

Dated: \_\_\_\_\_

Treasurer: \_\_\_\_\_

**ORIGINAL**

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included.
- Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount
<b>01-5291</b>				
US POSTAL SERVICE - WALDP	092024	Bulk Mailing	09/20/2024	963.60
Total 01-5291:				963.60
Grand Totals:				963.60

Dated: 9/20/24

General Manager: A. Dwyer

Dated: \_\_\_\_\_

Treasurer: \_\_\_\_\_

**SEAL ROCK WATER DISTRICT  
MINUTES OF THE  
Regular Board Meeting  
by Zoom Conference Call and In Person  
September 19, 2024**

**Introduction to Remote Meeting:**

SRWD held this meeting through Zoom video conferencing and in-person. Due to the limited capacity for in-person meetings, the public was encouraged to attend the meeting electronically.

**Present:**

Present in person in the board room were Commissioner Rob Mills, Board President; Commissioner Karen Otta, Treasurer; Commissioner Sandra Mies-Grantham, Secretary; Commissioner Glen Morris, Member; Commissioner Paul Highfill, Member; and Attorney Jeff Hollen, Legal Counsel. Staff: Adam Denlinger, General Manager; Joy King-Cortes, Office/Finance Manager; Trish Karlsen, Bookkeeper.

**Excused Absences:** None

**Call Regular Meeting to Order:**

President Rob Mills called the regular board meeting to order at 4:04 p.m., Thursday, September 19, 2024, and introduced the commissioners and staff present in the board room. No member of the public was in attendance in person. The public present on Zoom were Jon French and Rob Barnhill.

**Announcements/Public Comments:**

President Rob Mills asked if there were any announcements. Commissioner Glen Morris had no announcement; Commissioner Karen Otta had no announcement; Commissioner Sandra Mies-Grantham had no announcement; Commissioner Paul Highfill had no announcement; General Manager, Adam Denlinger had no announcement; Joy King-Cortes, Office/Finance Manager had no announcement. Trish Karlsen, Bookkeeper had no announcement; Attorney Jeff Hollen had no announcement; and President Rob Mills had no announcement.

**Public Comments:**

President Rob Mills asked the public who attended through Zoom if they had any comments. Jon French had no comment but announced that he sent an email to the district to notify Adam Denlinger that the class was canceled so the tour of the water treatment plant is canceled. Rob Barnhill was having technical difficulties and wasn't able to make a comment.

**Consent Calendar:**

Items on the consent calendar are the Aug./Sept. 2024 Invoices List for approval; the August 8, 2024, Regular Board Meeting minutes; Financial Report, USDA Project Monitoring Report No. 48; and the General Manager's Monthly Report. President Rob Mills asked if each commissioner reviewed the consent calendar items. Commissioner Glen Morris answered YES; Commissioner Paul Highfill answered YES; Commissioner Karen Otta answered YES; Commissioner Sandra Mies-Grantham answered YES; and President Rob Mills answered YES. Commissioner Karen Otta motioned to approve the consent calendar. Commissioner Sandra Mies-Grantham seconded the motion. The motion passed unanimously.

**Discussion and Information Items:**

**Water Treatment Plant Update:**

Water condition at the intake is typical this time of the year. The Water Treatment Plant is operational and produces water but has been having a problem with the heating element. Typically, the heating element has a life of 10-15 years but in the district's case, it is only lasting for 6 months. District staff are working with the engineers, Westech technicians and suppliers in trying to figure out why the heating element is prematurely failing. One of the heating elements was sent to a metallurgist in Arizona for evaluation to determine why it was failing prematurely. The metallurgist's report will help inform the operators and engineers regarding what is causing the heating element to fail so that the engineer and staff can fix the problem. There will be a meeting with the heating element manufacturer and the staff on Wednesday, Sept. 25.

**Decision Items:** None

**Executive Session:**

President Rob Mills recessed the regular board meeting at 4:10 p.m. to go into an Executive Session pursuant to ORS 192.660(2)(h); To consult with legal counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed. Representatives of the news media and designated staff shall be allowed to attend the executive session. All other members of the audience are asked to leave the room. Representatives of the news

62 media are specifically directed not to report on any of the deliberations. No final decisions shall be made in the Executive  
63 Session.  
64

65 **Adjourned the Executive Session:**

66 President Rob Mills adjourned the executive session at 4:57 p.m. and reconvened the regular board meeting.  
67 Commissioner Karen Otta motioned to authorize the district to execute a conditional settlement agreement with R & G  
68 Excavating, Inc. with substantially the same terms to those submitted to the board and included in the minutes and  
69 authorize the General Manager to sign the agreement, and pay application as described in the settlement agreement.  
70 Commissioner Glen Morris seconded the motion. The motion was passed unanimously.  
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72 **Adjournment:** Commissioner Glen Morris motioned to adjourn the meeting. Commissioner Sandra Mies-Grantham  
73 seconded the motion. President Rob Mills adjourned the meeting at 5:00 p.m.  
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75 **Next Board Meeting:** October 10, 2024, at 4:00 p.m. Regular Board Meeting.  
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83 \_\_\_\_\_  
Approved by Board President

\_\_\_\_\_ Date:

### SRWD Monthly Financial Report

Monthly Statistics		Comments			
Total customers	2682	Includes new connects Less Abandoned / Forfeited meter plus 3 SRWD meters (shop X 2 & office) plus 1 Hydrant meter			
New connections	0				
Reinstalls	0				
Abandonments/Forfeitures/Meter Removed	1				
Financial Report	Checking/MM	LGIP/PFMMMA	Fund Balances	Comments	
General	\$903,846.69	\$19,036.84	\$922,883.53		
Bond	\$680,827.31	\$0.00	\$680,827.31		
Capital Projects	\$36,382.19	\$18,846.94	\$55,229.13	\$7,421,586 Interim Loan Proceeds	
Revenue Bond	\$2,794.32	\$4.99	\$2,799.31		
Rural Development Reserve	\$0.00	\$109,796.53	\$109,796.53		
Dist. Office/Shop Reserve	\$0.00	\$0.00	\$0.00		
Depreciation/SLARA Reserve	\$0.00	\$268,234.81	\$268,234.81		
SDC (formerly SIP)	\$0.00	\$583,980.14	\$583,980.14	\$1,335,995.24 SDC collections thru 9/30/2024	
Water Source Improvement Rsrv	\$0.00	\$260,479.71	\$260,479.71		
TOTALS	\$1,623,850.51	\$1,260,379.96	\$2,884,230.47		
General Fund Review	Current	FYTD	Budgeted Amount	Comments	
Revenue	\$231,696.88	744,478.08	\$3,595,600.00		
Expenses	\$213,361.93	732,590.49	\$3,595,600.00	Contingency \$100,000; Transfers \$568,050; Total expenses budgeted \$2,937,550.	
Net Gain or (Loss) from Operations	\$18,334.95	\$11,887.59			
Water Sales Revenue Comparison	Month	FYTD	Comments		
Water Sales Current Year	\$225,620.22	\$719,009.87	Leak Adjustments & Billings Adjustments (YTD = July - June)		
Actual+In Lieu of Water Sales Less H2O CR	\$230,620.22	\$733,859.03	Billing Adj FYTD \$149.26		
Water Sales Prior Year	\$243,580.32	\$734,677.27	Leak Adj/Write off FYTD \$2.27		
Actual+In Lieu of Water Sales Less H2O CR	\$248,578.53	\$749,560.12	TOTAL FYTD ADJUSTMENTS \$150.84		
Over or (Under)	-\$17,960.10	-\$15,667.40	Note: Rate increase effective 6/1/2024		
Gallonage Comparison	Current	Prior Year	Cost Comparison	Current	Prior Year
Gallons Purchased/Intertie/WTP Treated	10,751,000	11,968,000	Toledo Charges	\$0.00	\$0.00
Gallons Sold (includes accountable loss & intertie)	8,975,348	10,716,650	SRWD Sales	\$225,620.22	\$243,580.32
Variance %	16.52%	10.46%			
Gallons Produced/Treated at WTP	10,751,000		8/12/2024-9/10/2024		
Gallons from Toledo Master Meter	0		Toledo Master Meter Readings read by SRWD field crew		
SRWD Intertie Usage (Purchased)	0		Additional water SRWD used/purchased from Newport Intertie		
Total Water Received/Produced	10,751,000				
City of Newport Intertie Usage (Sold)	0		Gallons sold to City of Newport for water used from the Newport Intertie		
Total Gallons Accounted	9,034,161		From flushing, leaks, CL2 Analyzer, & fire hydrant use		
Total Gallons Unaccounted	1,716,839				
Water Loss Percentage	15.97%				
Approval To Pay Bills	Payroll 9/6/2024 \$33,745.70		Payroll 9/20/2024 \$33,362.31		
Month of:	September	(after meeting)	October		
GF A/P	\$6,307.72		GF A/P	\$24,364.69	up to 10/4/2024
SDC Fund	\$0.00		SDC Fund	\$0.00	
Bond/Rev Bond Fund	\$0.00		Bond/Rev Bond Fund	\$91,214.00	2011 GO Bond
Depreciation/SLARA	\$0.00		Depreciation/SLARA	\$3,377.75	SLARA: CIP Skid Heating Element at WTP
MP - Phase 4 (IFA)	\$0.00		MP - Phase 4 (IFA)	\$0.00	
MP- Phase 4 (USDA)	\$0.00		MP- Phase 4 (USDA)	\$6,045.00	
MCWPP	\$0.00		MCWPP	\$0.00	
MCWCC	\$0.00		MCWCC	\$0.00	
Monthly Accrual Statistics	Beg. Balance	Accrued	Used/Paid	Balance	
	8/31/2024			9/30/2024	
Office Overtime Hours (2-01)	0.00	3.50	3.50	0.00	
Field Overtime Hours (2-02)	0.00	9.00	9.00	0.00	
PTO (3-01)	2901.43	130.50	185.00	2846.93	
Comp Time (9-01 / 9-02)	115.32	7.88	14.00	109.20	



c:\msoffice\excel\guide21				OR Instruction 1780			
				Modified OR Guide 21			
<b>PROJECT MONITORING REPORT</b>		<b>1. Type of Request</b>		2. Report No.		updated 5-11-2020	
		Final <input type="checkbox"/> Partial <input checked="" type="checkbox"/>		49			
<b>3. REPORT PERIOD</b>		<b>4. BORROWER INFORMATION</b>					
9/31/2024		Name: Seal Rock Water District					
		Address: 1037 NW Grebe Street, Seal Rock, OR 97376					
<b>BUDGET ITEMS</b>				<b>STATUS OF BUDGET</b>			
(All entries under Column "b" must be justified with an attachment) (All entries under column "e" must be documented with an attached invoice)		(a)	(b)	(c)	(d)	(e)	(f)
		<b>Budgeted</b>	<b>Budget</b>	<b>Revised</b>	<b>Previous</b>	<b>This</b>	<b>TOTAL</b>
		<b>Amounts</b>	<b>Change</b>	<b>Budget</b>	<b>Total</b>	<b>Period</b>	<b>(d)+(e)</b>
		(from LOC)					<b>Remaining Balance (c)-(f)</b>
a. Engineering- Design		\$947,000	\$91,000.00	\$1,038,000.00	\$1,038,000.00		\$ 1,038,000.00
b. Engineering- Membrane Pre-purchase		\$35,000	\$2,990.00	\$37,990.00	\$37,990.00		\$ 37,990.00
c. Engineering- Bid Services		\$45,000	-\$3.00	\$44,997.00	\$44,997.00		\$ 44,997.00
d. Engineering-Basic Engineering		\$380,000	\$27,799.86	\$407,799.86	\$407,799.86		\$ 407,799.86
e. Engineering-Project Inspection		\$0	\$795,287.62	\$795,287.62	\$770,102.41	\$ 6,045.00	\$ 776,147.41
f. Engineering-Start Up		\$20,000	\$10,000.00	\$30,000.00	\$30,000.00		\$ 30,000.00
g. Engineering- Software Development		\$0	\$311,841.52	\$311,841.52	\$306,662.30		\$ 306,662.30
h. Legal Services/Land Purch. (easements)		\$400,000	\$77,205.02	\$477,205.02	\$477,205.02		\$ 477,205.02
i. Geotechnical Site Investigation		\$51,000	-\$23.00	\$50,977.00	\$50,977.00		\$ 50,977.00
j. Surveying		\$26,000	\$3,962.00	\$29,962.00	\$29,962.00		\$ 29,962.00
k. Permitting		\$170,000	\$48,486.00	\$218,486.00	\$218,486.00		\$ 218,486.00
l. Archeological/Environmental Mitigation		\$40,000	-\$22,954.00	\$17,046.00	\$17,046.00		\$ 17,046.00
m. Bond counsel Services		\$80,000	-\$24,500.00	\$55,500.00	\$55,500.00		\$ 55,500.00
n. Interim Interest & Expense		\$360,000	-\$161,028.78	\$198,971.22	\$198,971.22		\$ 198,971.22
o. Consultant/Admin/Legal-phase 4		\$12,000	\$172,639.01	\$184,639.01	\$184,639.01		\$ 184,639.01
p. Line of Credit Refinance (COT expenses)		\$1,616,500	-\$429,500.00	\$1,187,000.00	\$1,187,000.00		\$ 1,187,000.00
q. Line of Credit Refinance- Interest		\$0	\$22,914.00	\$22,914.00	\$22,914.00		\$ 22,914.00
r. Contingency		\$1,306,000	-\$1,238,520.24	\$67,479.76	\$0.00		\$ -
s. Additional IFA Services		\$0	\$342,502.74	\$342,502.74	\$342,502.74		\$ 342,502.74
t. Tree Clearing		\$0	\$13,785.00	\$13,785.00	\$13,785.00		\$ 13,785.00
u. Tank Removal		\$0	\$18,752.00	\$18,752.00	\$18,752.00		\$ 18,752.00
v. Software/Licensing			\$28,396.24	\$28,396.24	\$28,396.24		\$ 28,396.24
x. Construction Costs:							
1. Contractor R&G		\$8,966,000	\$1,676,319.67	\$10,642,319.67	\$9,892,318.82	\$ 750,000.00	\$ 10,642,318.82
2. Westech- Membrane Purchase		\$922,000	-\$13,389.00	\$908,611.00	\$908,611.00		\$ 908,611.00
3. Other-Electrical at Intake/WTP		\$0	\$202,421.50	\$202,421.50	\$202,421.50		\$ 202,421.50
4. Other-Compaction Test		\$0	\$52,400.50	\$52,400.50	\$52,400.50		\$ 52,400.50
5. Other-98th St. PRV Calibration		\$0	\$5,210.00	\$5,210.00	\$5,210.00		\$ 5,210.00
6. Other- Electrical VFD		\$0	\$12,500.00	\$12,500.00	\$12,500.00		\$ 12,500.00
<b>k. TOTAL PROJECT COST</b>		<b>\$15,376,500</b>	<b>\$2,026,494.66</b>	<b>\$17,402,994.66</b>	<b>\$16,555,149.62</b>	<b>\$756,045.00</b>	<b>\$17,311,194.62</b>
l. Funding Allocation							
1) Business Oregon Loan/Grant		\$3,481,000	\$0	\$3,481,000.00	\$3,481,000.00		\$ 3,481,000.00
2) USDA Rev Bond Loan		\$2,547,000	\$0	\$2,547,000.00	\$2,547,000.00		\$ 2,547,000.00
3) USDA GO Bond Loan		\$6,549,000	\$0	\$6,549,000.00	\$6,549,000.00		\$ 6,549,000.00
4) USDA Grant		\$2,799,500	\$0	\$2,799,500.00	\$2,799,500.00		\$ 2,799,500.00
5) USDA Sub Grant		\$0	\$1,500,000	\$1,500,000.00	\$682,519.39	\$750,000.00	\$ 1,432,519.39
6) Applicant Contribution		\$0	\$523,375.66	\$523,375.66	\$493,011.23	\$6,045.00	\$ 499,056.23
7) Interest			\$3,119.00	\$3,119.00	\$3,119.00		\$ 3,119.00
<b>m. TOTAL PROJECT FUNDING</b>		<b>\$15,376,500</b>	<b>\$2,026,494.66</b>	<b>\$17,402,994.66</b>	<b>\$16,555,149.62</b>	<b>\$ 756,045.00</b>	<b>\$ 17,311,194.62</b>
n. Percentage of Completion					95%	4%	99%
<b>5. CERTIFICATION</b>							
<i>I certify that to the best of my knowledge and belief costs or disbursements shown are in accordance with the terms of the project and that an inspection has been performed and all work is in accordance with the terms of the construction contract.</i>							
<b>BORROWER</b>		Signature of Authorized Certifying Official				Date Submitted:	
		Adam Denlinger, General Manager				10/04/2024	
						Telephone:	
						(541) 563-3529	
<b>6. RURAL DEVELOPMENT ACCEPTANCE</b>							
<i>This form and attachments have been reviewed and are accepted by Rural Utilities Service unless otherwise noted. This review and acceptance by RUS does not attest to the correctness of the amounts, the quantities shown, or that the work has been performed under the terms of the agreements or contracts.</i>							
<b>RURAL UTILITIES SERVICE</b>		Signature of Authorized Certifying Official				Date Submitted:	
		Holly Halligan, Area Loan Specialist					
						Telephone:	
						(541) 801-2682	
<b>NOTES:</b>							



1037 NW Grebe Street  
 Seal Rock, Oregon 97376  
 Phone: 541.563.3529 – Fax: 541.563.4246  
[www.srwd.org](http://www.srwd.org)



## Seal Rock Water District

General Manager's Report:  
 Board Meeting – October 10, 2024

This report serves as an executive summary for the Board meeting agenda. It provides recommendations for actions to be taken if necessary. Detailed information, staff reports, and supporting materials can be found in the full agenda packet.

### **PHASE-IV BEAVER CREEK SOURCE WATER:**

Water Treatment Plant Operators have been working closely with engineers, WesTech technicians and suppliers to help evaluate ongoing heater element failure at the WTP. Newly installed heater elements placed into operation in March/April of this year are showing signs of failure. One of the heater elements was removed from service and sent to a metallurgist laboratory for further evaluation to determine what is causing the premature failure of the elements. The information provided in the metallurgist's report is informing operators and engineers regarding what is negatively affecting the heaters.

District operators received a comprehensive metallurgist report provided by Phoenix National Laboratories, included with the Board Packets. There was notable magnesium (Mg), aluminum (Al), and sulfur (S) associated with the corrosion product along with chlorine (Cl). Chlorine is an aggressive species for stainless steel and with the amount of pitting, was probably the main culprit but sulfur would also be another contributing factor.

It is important to note that WesTech designed the membrane treatment system to include the recommendation for water treatment and maintenance of the membrane filter skids. Operators have been following design standards and the recommendation of WesTech regarding chemical application.

What we are discovering is that the application of the heater elements seems to be exposing them to chemicals during or after cleaning the membranes. Operators are engaged with Jacobs Engineers, WesTech Technicians, and Chromalox the manufacturer of the heating elements to evaluate system conditions and determine a path forward to resolve this issue. At present, the WTP is running on one of the three heaters which extends runtimes for performing routine membrane cleaning and maintenance. The district has ordered three new heating elements which will arrive in the next couple of weeks. However, at a cost of \$1,150.00 per element, operators are reluctant to install the new elements until this issue can be resolved.

### **Preliminary List of Potential Resolution:**

1. Alternate Immersion Heater Material compatible with thiosulfate/chloride chemistry.
  - a. Titanium/Hastelloy/Tantalum (Coating)?
2. Switch dichlorination chemical to 38% sodium bisulfite
  - a. Not acceptable to the District due to Health and safety implications (SO<sub>2</sub> fumes)
3. Modify CIP skid piping to isolate heaters from dichlorination chemistry

*Seal Rock Water District is an Equal Opportunity Service Provider and Employer.*

Adam Denlinger, General Manager

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## Heater Photos Taken 2024-08-29 (Samples to Lab):



Originals: 18 months operation

- Chlorine cleans used 0.8% OSG system (high background chloride content)
- Failure shown is near the flange



Replacements: 3-4 months operation

- Chlorine cleans used 12% sodium hypochlorite (very low background chloride content)
- Failure point shown is at the u-tube end (away from flange)

### **Other notable activities for the month include:**

- Attended the Mid-Coast Water Conservation Consortium Meeting.
- Hosted monthly staff/safety meeting.
- Attended Mid-Coast Water Planning Partnership Meeting.
- Attended meetings with representatives from Oregon Water Resources Department (OWRD) committee regarding OWRD Fee-Based programs.
- Attended the monthly Oregon Water Utility Council (OWUC) meeting.
- Staff worked with Jacobs Engineering on final documents for project closeout.
- Attended additional meetings with OWRD and OWUC regarding water rights process improvements.
- Staff met on site with consultants preparing this year's Beaver Creek streamflow and temperature monitoring.
- Field crews performed replacement of 40-LF of water mainline on Hilton Way in the Bayshore.

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Adam Denlinger, General Manager

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# GRIMSTAD & ASSOCIATE

Certified Public Accountants

Newport Office:  
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Newport, OR 97365  
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September 5, 2024

To the Board of Commissioners  
Seal Rock Water District  
Seal Rock, Oregon

I am pleased to confirm my understanding of the services I am to provide Seal Rock Water District (District) for the year ended June 30, 2024.

## **Audit Scope and Objectives**

I will audit the financial statements of the business type activities, and the disclosures, which collectively comprise the basic financial statements of the District as of and for the year ended June 30, 2024. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of my engagement, I will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I will not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

### **Management's Discussion and Analysis**

I have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. I will subject the following supplementary information to the auditing procedures applied in my audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and I will provide an opinion on it in relation to the financial statements as a whole, or in a report combined with my auditor's report on the financial statements:

1. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - All Individual Funds
2. Reconciliation of Revenues and Expenditures (Budgetary Basis) to the Statement of Revenues, Expenses, and Changes in Fund Net Position

Members:  
AICPA GSCPA & OAIA

The objectives of my audit is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes my opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

I will conduct my audit in accordance with GAAS and will include tests of your accounting records and other procedures I consider necessary to enable me to express such an opinion. As part of an audit in accordance with GAAS, I exercise professional judgment and maintain professional skepticism throughout the audit.

I will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. I will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. I will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent imitations of internal control, and because I will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by me, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, I will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to my attention. I will also inform the appropriate level of management of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. My responsibility as auditor is limited to the period covered by my audit and does not extend to any later periods for which I am not engaged as auditor.

In connection with this engagement, I may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, I cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, I specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmission, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

I will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. I may request written representation from your attorney as part of the engagement, and they may bill you for responding to this inquiry.

I may, from time to time and depending on the circumstances, use third-party service providers in serving your account. I may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, I maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, I will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and I will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that I am unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, I will remain responsible for the work provided by any such third-party service providers.

In addition, my audit will include procedures to the extent considered necessary to address the comments and disclosures required by the Minimum Standards for Audits of Oregon Municipal Corporations, Oregon Administrative Rules 162-10-000 through 162-10-330, regarding the District's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-330, noncompliance with which could have a direct and material effect on the determination of financial statement amounts; and on the District's internal control over financial reporting. I will issue a written report, the Independent Auditor's Report Required By Oregon State Regulations, upon completion of my audit of the District's financial statements. My report will be addressed to the Board of Commissioners of the District. Providing opinions on the District's compliance and its internal control over financial reporting are not objective of these procedures to be performed for purposes of this report and, accordingly, no such opinions will be expressed in this report.

My audit of the financial statements does not relieve you of your responsibilities.

#### **Audit Procedures – Internal Control**

I will obtain an understanding of the District and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, I will express no such opinion. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

I have identified the following significant risk(s) of material misstatement as part of my audit planning:

According to GAAS, significant risks include management override controls, and GAAS presumes that revenue recognition is a significant risk. Accordingly, I have considered these as significant risks.

### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of my audit will not be to provide an opinion on overall compliance and I will not express such an opinion.

### **Responsibilities of Management for the Financial Statements**

My audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records, and related information available to me; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for the 12 months after the financial statements date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing me with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that I may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom I determine it necessary to obtain audit evidence. At the conclusion of my audit, I will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to me in the management representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing me about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with generally accepted accounting principles (GAAP). You agree to include my report on the supplementary information in any document that contains, and indicates that I have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes my report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with my report thereon. Your responsibilities include acknowledging to me in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to me any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

### **Other Services**

I will also prepare the financial statements and notes, and potential adjusting entries of the District in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

I will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. I, in my sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statement preparation services and any other nonattest services I provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

With regard to including the auditor's report in an exempt offering document, you agree that the aforementioned auditor's report, or reference to Grimstad & Associate, will not be included in any such offering document without my prior permission or consent. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, I am not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

### **Engagement Administration, Fees and Other**

I understand that your employees will prepare all cash, accounts receivable, or other confirmations I request and will locate any documents selected by me for testing.

Signe Grimstad is the engagement partner and is responsible for supervising the engagement and signing the reports. I expect to begin my audit in November 2024 and to issue my reports no later than December 31, 2024.

The audit documentation for this engagement is the property of Grimstad & Associate and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and a timely manner to Oregon Secretary of State Audits Division or its designee. I will notify you of any such request. If requested, access to



such audit documentation will be provided under the supervision of Grimstad & Associate personnel. Furthermore, upon request, I may provide copies of selected audit documentation to Oregon Secretary of State Audits Division or its designee. The Oregon Secretary of State Audits Division or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

My fee for services is \$10,900 based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, I will discuss it with you and arrive at a new fee estimate before I incur the additional cost. My office will bill work in progress with the balance due upon the delivery of the final report. In accordance with my firm policies, work may be suspended if your account becomes 60 days or more overdue and will not be resumed until your account is paid in full. If I elect to terminate our services for nonpayment, my engagement will be deemed to have been completed upon written notification of termination, even if I have not completed my report. You will be obligated to compensate me for all time expended and to reimburse me through the date of termination.

You may request that I perform additional services not addressed in this engagement letter. If this occurs, I will communicate with you regarding the scope of the additional services and the estimated fees. I also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from me documenting such additional services, my services will continue to be governed by the terms of this engagement letter.

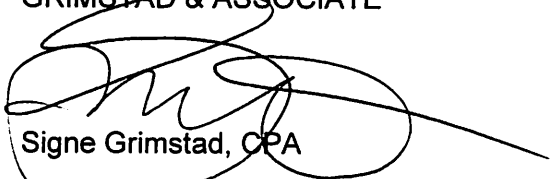
### Reporting

I will issue a written report upon completion of my audit of the District's financial statements. My report will be addressed to those charged with governance of the District. Circumstances may arise in which my report may differ from its expected form and content based on the results of my audit. Depending on the nature of these circumstances, it may be necessary for me to modify my opinion, add a separate section, or add an emphases-of-matter or other-matter paragraph to my auditor's report, or if necessary, withdraw from this engagement. If my opinion is other than unmodified, I will discuss the reasons with you in advance. If, for any reason I am unable to complete the audit or am unable to form or have not formed an opinion, I may decline to express an opinion or withdraw from this engagement.

I appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of my engagement. If you have any questions, please let me know. If you agree with the terms of my engagement as described in this letter, please sign the enclosed copy and return it to me.

Very truly yours,

GRIMSTAD & ASSOCIATE



RESPONSE:

This letter correctly sets forth the understanding of Seal Rock Water District.

By: \_\_\_\_\_

Title: Board Commissioner

CLIENT		CLIENT PROJECT REF.		CLIENT ORDER NO.
Seal Rock Water District		Heater Element Testing		9536
SAMPLE DESCRIPTION				DATE SUBMITTED
Elements and Spacers				09/06/2024
PNL REF. NO.	S.O. NO.	TECHNICIAN	PNL LAB NO	REPORT DATE
27-241182	001.01	AT	848951	09/17/2024

**TEST RESULTS**

PNL was requested to examine sections of elements and spacers as part of an ongoing investigation. The purpose of the examination is to evaluate any deposits, corrosion products, etc. for elemental analysis by SEM/EDS. Figures 1 – 3 are overviews of the elements and spacers, as received.

The samples were examined optically to assess areas for analysis. Figures 4 – 7 are overviews of the elements, labeled 1 and 2 for traceability. Both elements exhibit a through wall hole and the exterior surface shows evidence of pitting. Figures 8 – 11 are overviews of the spacers which also show notable pitting of the surface.

The elements and spacers (1 and 3) were placed in the SEM for EDS analysis of any visible corrosion product/deposits.

The results of the EDS analysis indicated similar elemental constituents for both the elements and spacers. Notable magnesium (Mg), aluminum (Al) and sulfur (S) were readily detected within the corrosion product. Evidence of chlorine (Cl) was also observed to varying degrees; chlorine is a known elemental species which will cause pitting in stainless steel.

Other elements associated with the corrosion products/deposits were sodium (Na), silicon (Si), phosphorus (P), potassium (K), calcium (Ca), titanium (Ti) and the base stainless steel: iron, chromium and nickel (Fe/Cr/Ni). Element 2 and Spacer 1 showed evidence of copper (Cu).

Representative EDS spectra for the elements and spacer are shown in Figures 12 – 22.



Figure 1: Overview of samples, as received



Figure 2: Overview of elements and a spacer

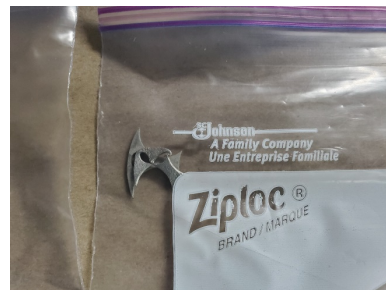


Figure 3: Overview of spacers

ISO/IEC 17025:2017 accredited by PJ LA - Accreditation No. 71936. Results relate only to the items presented to PNL for testing and/or inspection. This report shall not be reproduced except in full without the approval of PNL to ensure that parts of the report are not taken out of context. PNL warrants that the above services and report were performed under the appropriate standard of care in accordance with our ISO 17025 quality program, including the skill and judgement that is reasonably expected from similarly situated technical personnel. No other warranty, guaranty, or representation, either expressed or implied is included or intended.

CLIENT	CLIENT ORDER NO	PNL REF NO.	S.O. NO.	REPORT DATE
Seal Rock Water District	9536	27-241182	001.01	09/17/2024

**TEST RESULTS**



Figure 4: Element 1, view 1

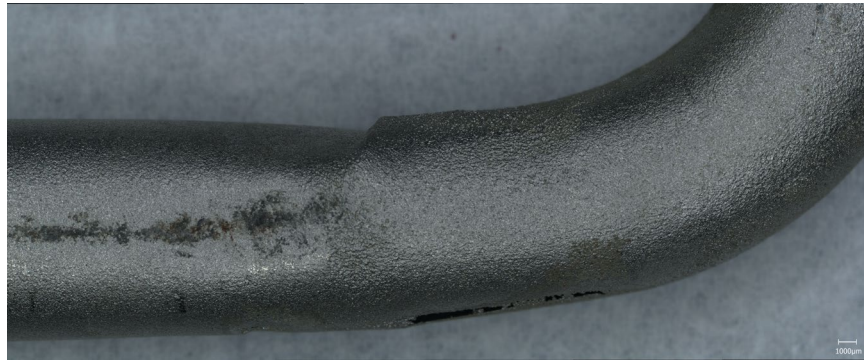


Figure 5: Element 1, view 2

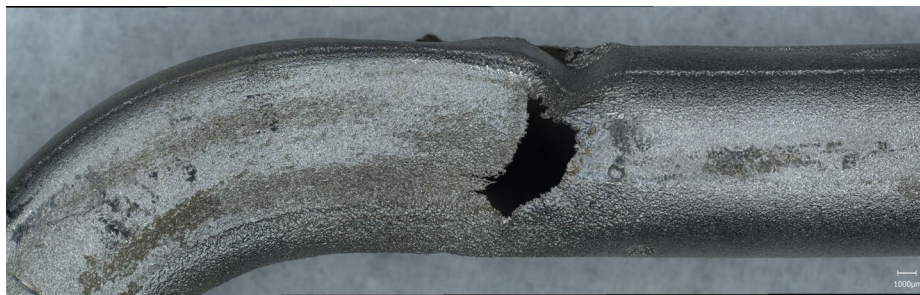


Figure 6: Element 2, view 1



Figure 7: Element 2, view 2

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**TEST RESULTS**

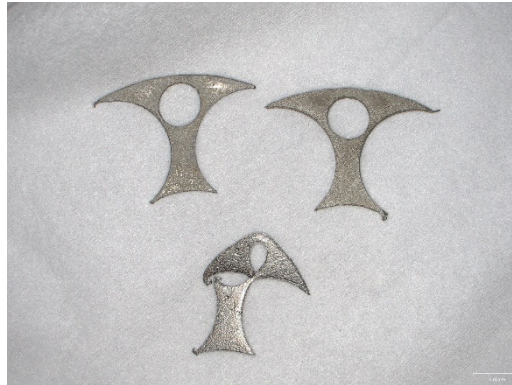


Figure 8: Overview of spacers

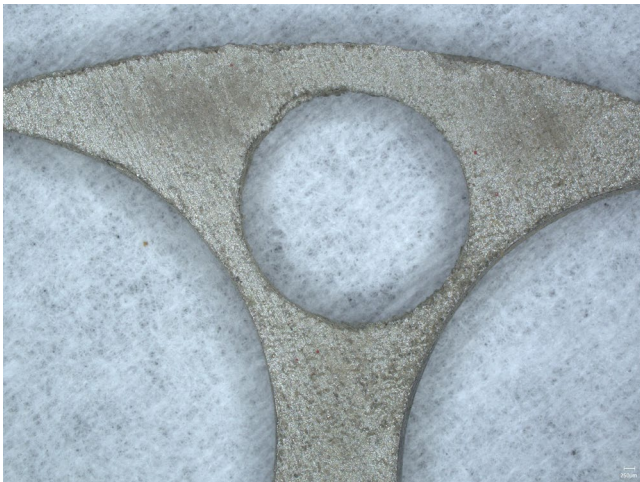


Figure 9: Spacer 1



Figure 10: Spacer 2



Figure 11: Spacer 3

CLIENT	CLIENT ORDER NO	PNL REF NO.	S.O. NO.	REPORT DATE
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**TEST RESULTS**

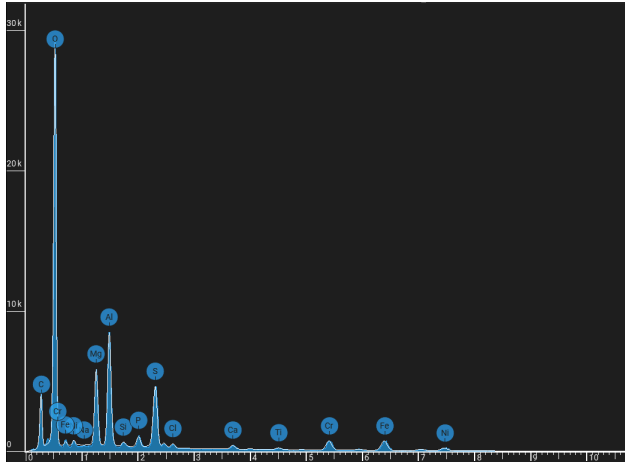


Figure 12: Element 1, EDS1

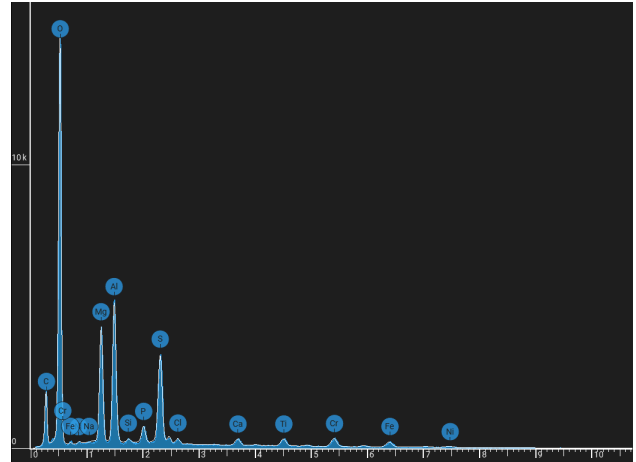


Figure 13: Element 1, EDS2

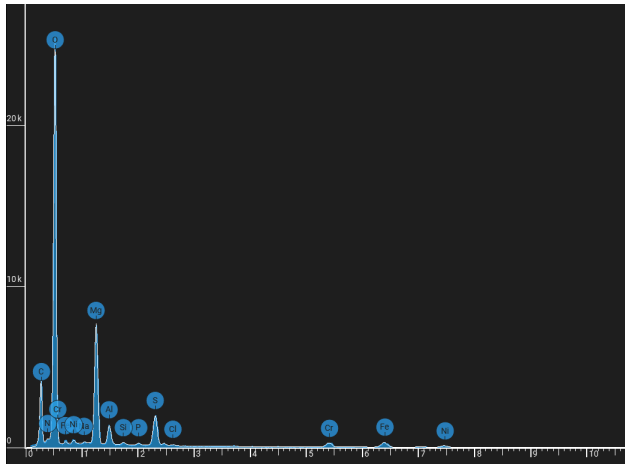


Figure 14: Element 1, EDS3

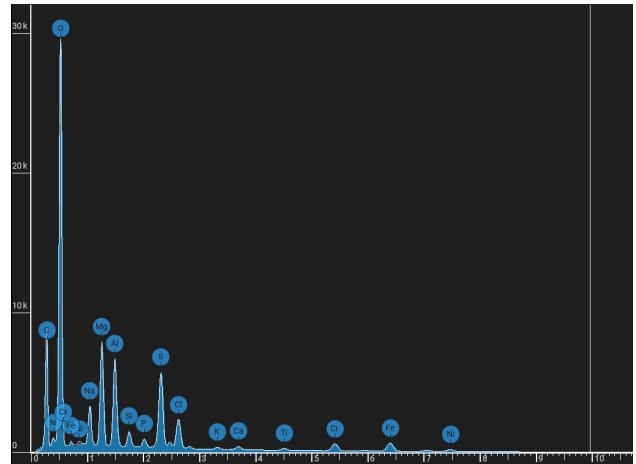


Figure 15: Element 1, EDS4

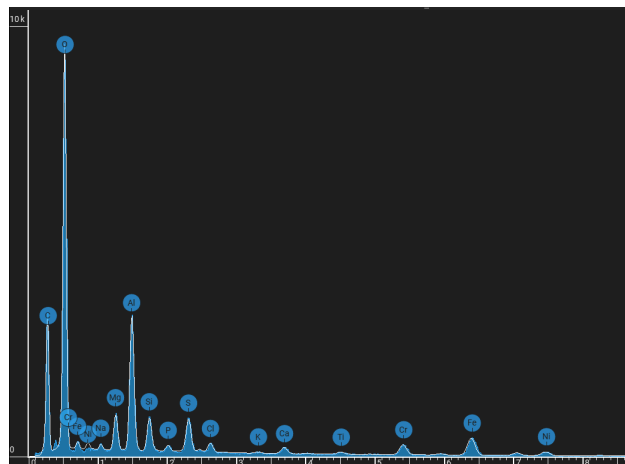


Figure 16: Element 2, EDS1

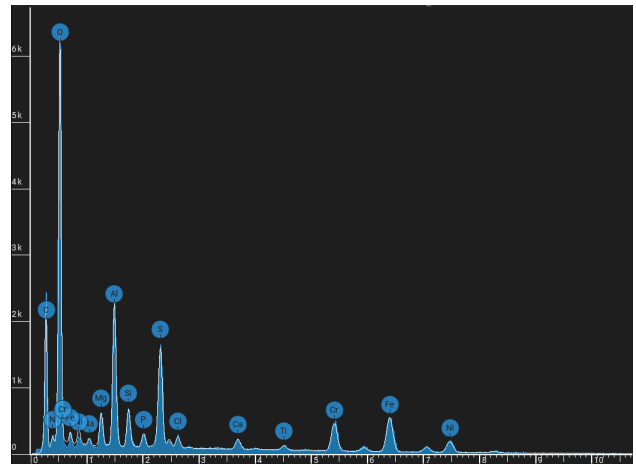


Figure 17: Element 2, EDS2

CLIENT	CLIENT ORDER NO	PNL REF NO.	S.O. NO.	REPORT DATE
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**TEST RESULTS**

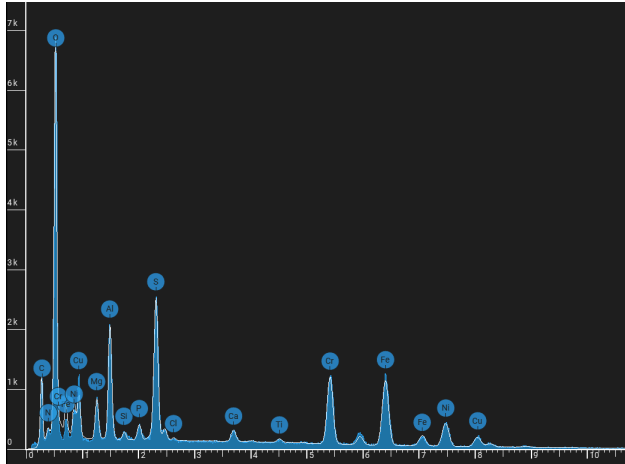


Figure 18: Element 2, EDS3

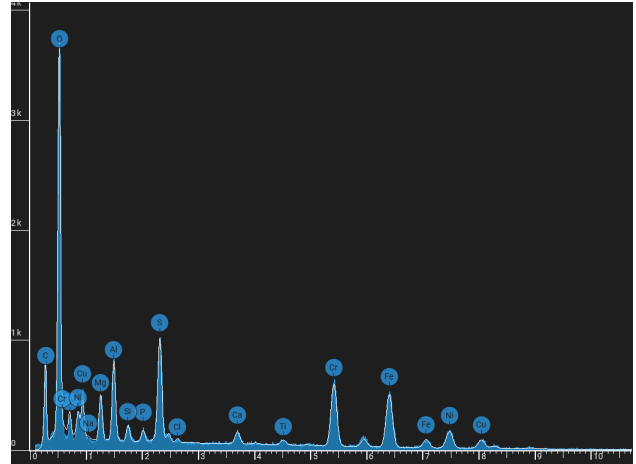


Figure 19: Element 2, EDS4

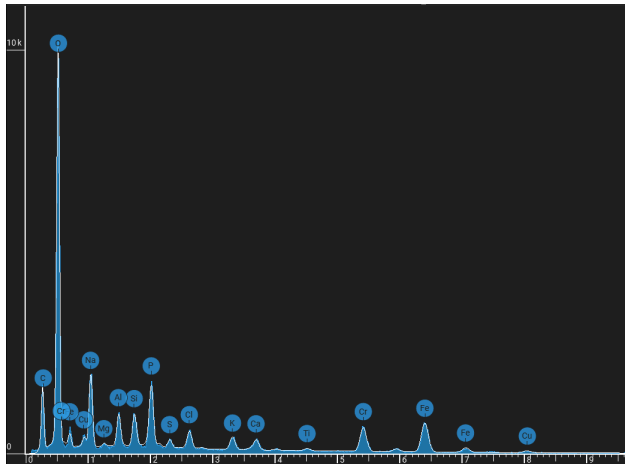


Figure 20: Spacer 1, EDS1

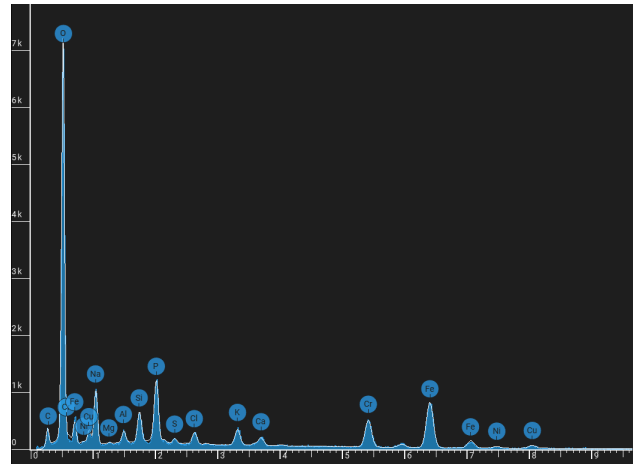


Figure 21: Spacer 1, EDS2

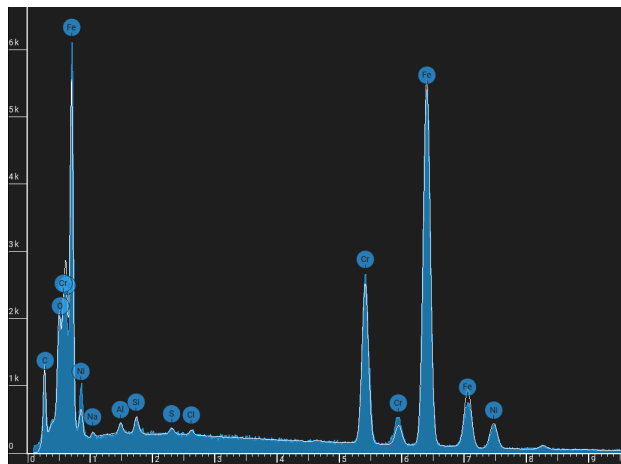


Figure 22: Spacer 3, EDS1