

**MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE OWYHEE IRRIGATION DISTRICT**

June 19, 2012

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on June 19, 2012, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 7:56 p.m. Bruce Corn, President of the District, presiding.

The following Directors were present:

Bruce Corn	Dan Tschida
Jerry Nagaki	Eric White
Frank Ausman	

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Attorney; Harvey Manser, Assistant Manager; and Brian Richins, Auditor.

MEETING NOTICE. The meeting agenda showed that notice to the news media as to the time, date, and place of the meeting was given on June 12, 2012.

MINUTES. The minutes of the May 22, 2012, meeting of the Board of Directors were mailed to the Directors prior to the meeting. A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried approving the minutes as mailed.

2011 AUDIT. Brian Richins presented the 2011 audit report for the District. The audit report went out in the Directors' packets. Mr. Richins passed around charts comparing 2011 to previous years. Mr. Richins said that the audit went well. He said that management cooperated well. He said that overall the District cash position is good. He said that the District is hitting the budget pretty well overall.

Mr. Richins went through the audit as the Directors reviewed it. Mr. Richins went through his audit letter with the Board. He noted that in the audit an entry was made that the District has elected not to complete a management discussion and analysis. He said that he cannot prepare this analysis and that typically management prepares the analysis. He said that in the District's situation, Nichols Accounting would be best to prepare the analysis. He said that in speaking with Peter Nichols at Nichols Accounting, their position is that since this analysis would be an additional cost to the District and leaving it out would only result in the Secretary of State requesting one in the future without penalty to the District, that Peter Nichols' recommendation is to hold off on doing the analysis until the Secretary of State requests it. Mr. Richins provided a sample analysis from another irrigation district. He said that in reviewing the audit reports filed with the state, that all the other irrigation districts are providing the analysis. Mr. Richins said that he is not aware of any penalty for not doing the analysis. The matter was discussed and it was the Board's consensus to hold off on doing a management discussion and analysis since it would be an additional cost to the District and just rehashes what is already in the audit report. In the event the analysis is requested, then it will be done at that time.

Mr. Richins suggested that a report be done on rental houses which the District owns. The matter was discussed. Mr. Chamberlin said that there is only one house which the District receives rental income on.

Mr. Richins said that when he did the audit, he noted that the District received \$15,000.00 more than the acreage calculation would justify. He said that he believes it is a software issue that needs to be looked at to make sure that the software program is calculating the acreages correctly.

Mr. Richins said that on the OWEB grants he would like Nichols Accounting to track the funds that go through NRCS so that he does not have to make an audit adjustment at the end of the year. He said that another issue he ran into is that there are a lot of manual checks that are written at the end of the year and he would like to have some coordination done between District management and Nichols Accounting in order that Nichols Accounting pick up those checks in their reports.

Mr. Richins said that overall, the District does not have any control weaknesses. He said that he had the Secretary of State packet ready to go once the Board approves the audit. A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried accepting the audit report as presented.

At 8:30 p.m., Brian Richins left the meeting. Mr. Chamberlin said that it has been a pleasure working with Mr. Richins. The Directors all agreed that he has done a good job in doing the audit work for the District.

DISTRICT FINANCIAL REPORT. Mr. Chamberlin handed out the financial report for Owyhee Irrigation District for the month of May. The report was prepared by Nichols Accounting Group. Mr. Chamberlin said that he does not yet have a delinquent accounts report, but that money has been dribbling in. In reviewing the financial report, Director Tschida noted that the rent income is showing \$4,300 higher than the budgeted amount. Mr. Manser said that the cabin rent could be showing up in the wrong column. The cabin rental was discussed.

OWYHEE IRRIGATION DISTRICT ACCOUNTS PAYABLE. A list of the District's accounts payable was in the Directors' packets. The list was reviewed and discussed. A motion was made by Director White, seconded by Director Tschida, and unanimously carried approving payment of the Owyhee Irrigation District bills.

MITCHELL BUTTE POWER PROJECT.

Generation Report. The generation report for Mitchell Butte Power Project was included in the Directors' packets. The Directors reviewed the report.

Accounts Payable. The agenda for the meeting listed the following accounts payable for the Mitchell Butte Power Project:

Brian Richins, CPA	\$1,900.00
Nichols Accounting Group	<u>110.00</u>
Total	\$2,010.00

A motion was made by Director Nagaki, seconded by Director Ausman, and unanimously carried that the accounts payable for the Mitchell Butte Power Project be paid.

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Tunnel Power Project for the period ending May 31, 2012, which was prepared by Nichols Accounting Group. The Directors reviewed the report. Director White asked how long until the Tunnel #1 Power Plant will be shut off for the season. The matter was discussed.

Accounts Payable. The agenda showed the following schedule of accounts payable for the Tunnel #1 Power Project:

Brian Richins, CPA	\$1,900.00
Oregon-Idaho Utilities	108.70
Nichols Accounting Group	<u>325.00</u>
Total	\$2,333.70

A motion was made by Director Tschida, seconded by Director White, and unanimously carried that the accounts payable, as presented, for the Tunnel #1 Power Project, be paid.

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report prepared by Nichols Accounting Group for the Owyhee Dam Power Project for the period ending May 31, 2012. The Directors reviewed the report. Mr. Chamberlin said that the plant has run good, but there was a power outage tonight with the power being down for one and a half hours.

Owyhee Dam Power Project Accounts Payable. The Owyhee Dam Power Project accounts payable were listed on the agenda as follows:

Nichols Accounting	\$325.00
Oregon-Idaho Utilities	163.05
Brian Richins, CPA	1,900.00
Idaho Power Company	2,234.74
Owyhee Irrigation District	179.84
Stunz, Fonda, Kiyuna & Horton	200.00
Century Link	<u>45.00</u>

Total \$5,047.63

Director Tschida asked about the Idaho Power bill. Mr. Chamberlin said that this was to repair some windstorm damage. Mr. Horton said that the damage could possibly be covered by insurance and that Mr. Chamberlin may want to look into submitting the billing to the District's insurance carrier. A motion was made by Director White, seconded by Director Tschida, and unanimously carried that the accounts payable for the Owyhee Dam Power Project, be paid.

FLETCHER GULCH PIPELINE PROJECT. Mr. Chamberlin said that there was a glued fitting that came apart near where the pipe broke before. He said that it was on the downstream side of a valve so the valve was able to be turned off and the fitting repaired. Mr. Chamberlin said that this is an issue where you have a pressurized system which is being used to flood irrigate. He said that otherwise the pipeline is working well. Mr. Chamberlin said that he and District staff met with NRCS on the fact that not all of the farmers were ready to go with their systems when the Fletcher Gulch pipeline came on line. He said that this meeting also helped engage NRCS now on the Newell Project so that that the issues with the Fletcher Project do not repeat themselves.

NEWELL PIPELINE PROJECT. Mr. Chamberlin reported that most of the pipe for the project has arrived. He said that he has submitted information on the pipe to the District's insurance carrier and all of the pipe is insured. He said that the grant application has gone in. Harvey Manser said that the grant application has ranked really well. Director Tschida asked if there needs to be more engineering done if there are farmers who will not be pressure irrigating and whether or not there should be more thrust blocks engineered into the system. Mr. Chamberlin said that the engineering is being looked at with NRCS to take those matters into consideration. A general discussion was had on the Newell Pipeline Project.

JET FLOW PEN STOCKS AND SIPHON REPAIRS. Mr. Chamberlin passed around a proposal he received from Dam Maintenance Management with regard to performing repairs on the jet flow pen stocks, Snively Siphon, and Malheur Siphon. The repairs would mainly consist of coatings on these systems. The Directors reviewed the proposal. Mr. Chamberlin and Mr. Manser explained the problems with the Snively Siphon with large rocks falling into the siphon. A discussion was had on possible solutions. Mr. Horton pointed out that the District would need to do a request for proposals and get other proposals if the Board wants to proceed with pen stock and siphon coatings. Going out for RFPs was discussed. A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried authorizing District staff to put out a request for proposals on coating the jet flow pen stocks, with the proposals to come before the Joint Committee meeting in August.

OREGON DEPARTMENT OF AGRICULTURE TOUR REPORT. Mr. Chamberlin said that Oregon Department of Agriculture had their tour of the area and that it went well. Mr. Chamberlin said that there was an OWEB board member on the tour who was impressed with the Fletcher Project and the District sediment pond. He said that overall the tour members were very impressed with the Owyhee Project.

HDR ENGINEERING REPORT ON MITCHELL BUTTE PROJECT. Mr. Chamberlin handed out a report which HDR Engineering did on potential Mitchell Butte Power Plant upgrades. Mr. Chamberlin asked the Board members to review the report. He said that he is not happy with the report.

USBR HYDRO SITE REPORT. Mr. Chamberlin said that he is surprised that there has not been more interest in the USBR Hydro Site Report. He said that he expected more entities to be filing FERC applications. He attributes the disinterest to the economy and upcoming elections.

CHEMICAL APPLICATION UPDATE. Mr. Manser gave an update on chemical applications throughout the District.

ROAD TO OWYHEE DAM POWER PLANT. Mr. Chamberlin said that work on putting the road back in to the Owyhee Power Plant has been started. He said that the District's excavator has been a big help. He said that the District's big loader has been working up there also.

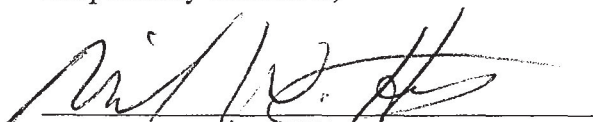
GATES ON DITCH ROADS. Mr. Chamberlin and Mr. Manser reported on problems ditchriders are having with gates being closed on canal roads. The matter was discussed.

DITCHER. Director Tschida asked if the District is still looking at a second ditcher. Mr. Chamberlin said that he looked at the possibility of purchasing a second ditcher and that after visiting staff, he has given the green light to begin building the District's own ditcher similar to the one that the District currently has.

DISTRICT STAFFING. Mr. Chamberlin gave an update on staffing throughout the District. Director Tschida noted that puncture vine is starting to grow and asked about spraying. Mr. Manser said that the workers are currently working up at the Dam and will not be spraying right away. The District's gopher program was discussed.

ADJOURNMENT. There being no further business to come before the Board, the meeting was adjourned at 10:14 p.m.

Respectfully submitted,


Michael W. Horton, General Counsel

APPROVED: _____