

GRANITE OAKS WATER USERS ASSOCIATION

Annual Shareholders' Meeting

July 30, 2016

2025 Seven Oaks Ct

approved September 28, 2016

Call to Order: President Gerry Garcia called the meeting to order at 9:05 a.m.

Note: .From GOWUA Bylaws:

Quorum: The members holding 50 percent plus one of the Class B votes of the Association shall constitute a quorum at meetings of the membership of the Association. If a quorum is not present at any meeting of members, those in attendance may conduct an informational meeting, but no business upon which a vote is to be taken, shall be conducted.

There were approximately forty shareholders in attendance. Approximately 40 proxy statements had been returned. There was not a quorum present.

Gerry Garcia announced that since a quorum was not present and an official meeting couldn't be conducted, but the Board would proceed with an informational meeting and try to answer any questions. She asked attendees to sign in and provide email addresses. She also reminded attendees to check out nextdoor.com, a way for people in the area to communicate with neighbors. She then introduced members of the board in attendance, herself and contract staff and asked for a brief background from each.:

Officers

Matt Bornyasz, Vice President

John James, Treasurer

Larry Dorrell, Secretary

Directors

Claire Hutt, Director

Jim Peterson, Director

Jim Bricker, Director

Contract staff:

Allen Kaplan, Auditor

Bob Busch, MDI Financial (Manager)

The President then asked Allen Kaplan to give a financial report.

Financial Report *Allen Kaplan, Auditor*

Allan Kaplan announced that copies of the financial statements are available on the check in table. He reviewed each page of the financial reports, and took questions from the floor. He reported that revenue was \$214,000 for 2015, lowest amount since 2001. This was a result of a reduced amount of water used due to weather and conservation efforts. Costs have been relatively fixed, We are about \$15,000 ahead of budget for this year, due to higher than expected revenue, and under budget expenses. Net income is up about \$7,000 from the same period last year. He reviewed the amounts in the cash accounts, checking accounts and CDs, totaling \$335,000.

Allen then responded to questions.

QUESTION: Is there a reserve account for replacements?

RESPONSE: Of the \$335,000 of cash, there are some of the CD's earmarked for replacements. There are no replacements planned or scheduled at this time.

QUESTION: Could you compare this company with some of the other water companies in the area?

RESPONSE: The Company has never had to go to a financial institution to borrow money. The Company has never changed rates from the beginning. Some of the other water companies in the area are struggling.

QUESTION: Does anyone have a water softener and are they effective? What is the water hardness?

RESPONSE: A number of people in the area have softeners, although do not have really hard water here. Softeners do help in minimizing buildup on fixtures. Water hardness is in the range of 11 to 12 grains

President Garcia then asked Bob Busch to give a report.

Manager's Report *Bob Busch, Manager*

Bob Busch stated that usually, a representative from Fann Environmental is on hand to give and operators report, but Mike Young could not make it today, so he would give a combined report.

He reported that Fann Environmental has been the system operator for about 10 years. They maintain all the water system, equipment, pumps, valves and they take water samples as required by ADEQ as well as read customer meters each month. They prepare a Consumer Confidence Report annually, which shows the water test results for all the contaminants we are required to test for. The report is prepared annually for distribution to every customer. It is also on our website: www.gowaterusers.com Fann Environmental is doing a good job for the Company.

Bob reported that the Company is a non-profit, owned by the property owner/customers in the subdivisions of Granite Oaks, Royal Oaks and Granite Oaks Estates. The Company is regulated by the Arizona Corporation Commission, and must follow all the rules they adopt. The Company must file tariffs for rates and charges, just like APS or any other public utility.

QUESTION: Does Fann Environmental take care of our statutory agent requirements?

RESPONSE: No, The Company's statutory agent is Bruce Eldredge of MDI Financial Services.

Bob reported that MDI Financial Services handles all the bookkeeping, bill paying, billing and customer record maintenance for the Company. They have provided this service to the Company for the last 13-14 years. The Company number you call for the GOWUA business office is answered by MDI Financial employees.

IN response to a comment from the floor that "when you have a high bill, they call you", Bob stated that when Fann Environmental enters a meter reading in their handheld device, and it is unusually high, the handheld beeps and they can check it. Also, MDI calls customers who have an unusually high reading during the month, alerting them of a possible problem.

QUESTION: How deep are the wells and where is the water table?

RESPONSE: The Company has three wells: one at Post Oak, one at Glenshandra, and one off Deerfield Dr. All the wells are at least 500 ft deep. The water level in Post Oak is about 300 ft. The level at Deerfield and Glenshandra is about 250 ft.

QUESTION: How does this compare with last year?

RESPONSE: Water levels at Deerfield are dropping about 6-7 ft per year. Post Oak has remained relatively stable over the years at about 310 ft.

QUESTION: Do different households get water from different wells?

RESPONSE: Water from each of the wells is pumped to the Post Oak facility where the storage tanks are located. The water from the three wells is combined in the storage tanks and is pumped into the distribution system that feeds all the customers in the system.

QUESTION: Do we still have an issue with theft?

RESPONSE: We had a period where non-revenue water seemed very high. Historically, non-revenue water was running under 4%. For a period of time, it was much higher, reaching 16% one month. We enlisted the help of several volunteers to monitor fire hydrants for several months. Nothing conclusive was found, although there were a couple of incidents of tanker trucks reported cruising the streets at odd hours, nothing was found that would explain the high amount of non-revenue water. Currently, non-revenue water is running in the range of 4-6%.

QUESTION: What is the tipping point for our community for new development?

RESPONSE: The Company service area is currently fixed to the subdivisions of Granite Oaks, Royal Oaks and Granite Oaks Estates, plus an area of land west of Granite Oaks Estates crossing Williamson Valley Road. Our service area cannot be changed without approval of the Arizona Corporation Commission and the Arizona Dept of Water Resources. Anyone in our service area must be connected to the water system if they request service. If there currently is not a service line to their property, they must pay the cost of the service line. We currently have two customers outside the subdivisions, but within the service area.

QUESTION: Could our aquifer be impacted by future development?

RESPONSE: No one seems to have a quantifiable answer to that question. Water levels are dropping throughout the area. We are in the Verde River Watershed and inside the Prescott AMA.

QUESTION: Do we sell water outside our territory?

RESPONSE: We do not sell water to anyone outside of our service territory.

QUESTION: How do we treat the water?

RESPONSE: Chlorine is added to the water to maintain a range for disinfection purposes.

QUESTION: Are there private wells in the community?

RESPONSE: There are about a dozen private wells in the community. Those properties with a well that are also connected to the water system are also required to maintain and annually test a anti-backflow device that prevents well water from entering the public water system.

QUESTION: A lot of companies are experiencing problems with arsenic. How is the water quality in Granite Oaks.

RESPONSE: GOWUA has no problems with arsenic or any of the other contaminants we are required to test for. Water quality is excellent. A water quality report is required to be prepared annually (Consumer Confidence Report) It is available on the company web site.

President's Report *Gerry Garcia, President*

Gerry Garcia then reported on some Board activities. She reported that the Board meets every other month. The issue of rate case comes up with every new Board. The Board talked to firms who file and work with rate cases. Rate cases are quite involved and expensive. Boards have uniformly decided that it is best to keep the ACC out of our business. We are a non-profit. We have money in the bank for reserves and those reserves could be vulnerable in a rate case. The Company is financially healthy, and there doesn't seem to be reason enough to get involved in a rate case.

Gerry reported that the Board authorized repairs to the building at Post Oak. The building was reroofed, we added gutters and repaired the chlorine shed. The repairs cost \$8,000.

The sounding tube at the Glenshandra well was replaced. It had been blocked for a number of years. The repair cost \$4,260.

A discount program was started with Watters Nursery. A flyer is included with each monthly bill. Watters has reported that the program is very successful.

The email billing program is continuing. We have had some problems with bills being rejected as spam. We are working on the solution, and will continue sending paper bills until we are sure the system is working correctly.

The Board also established a Conservation Committee to work with high users.

Conservation Committes Report *Jim Peterson*

Jim reported that a support group was set up to assist those high water users who want to have someone give some advise on how to use water more efficiently. One of the Board members contact these customers and offer assistance.

We are sending letters to new customers telling them about the water company, the finite nature of the water source, and inviting them to tour the facilities of which they are a part owners.

Jim reported that last month, the 466 homes used 9,901,000 gallons of water. That is 330,000 gallons per day, or 21,000 gallons per house, or 708 gallons per house every day.

Landscaping has by far the biggest impact on water use, so using drought resistant plants and efficiently watering landscape plants has the greatest potential impact on use.

President Garcia then introduced Mr. Richard Hockman who spoke for a few minutes about the benefits of rainwater harvesting.

Gerry Garcia then introduced County Supervisor Craig Brown who spoke to the group on several topics.

He commented on several county projects that utilize rainwater harvesting. He said that 1000 sq ft of roof will yield 1000 gallons of water from a 1 inch rainstorm. The county requires low use fixtures in all new homes. The CWAG website has information about rainwater harvesting.

Mr. Brown noted that Jim Peterson is the Firewise representative for the area. He stated that homeowners could do a lot to make their homes fire safe by eliminating the first two fire tiers; grasses and brush.

After the Dose fire, the County looked for ways to create fire breaks. Williamson Valley Road was a good place to start. Using County Probation Department labor (people needing to complete community service), the area on each side of Williamson Valley Road was cleared. The public land area around Granite Oaks was also mitigated. Some areas bordering Royal Oaks are privately owned and can't be mitigated by the county Work continues in other public areas around the community.

Mr. Brown also commented about some improvements planned for Williamson Valley Road: left turn lanes at certain intersections and slow down right turn lanes at some streets.

The attendees thanked and applauded the Board for their work in managing the Company.

Gerry Garcia thanked everyone for attending and adjourned the meeting.