

GRANITE OAKS WATER USERS ASSOCIATION

Annual Shareholders' Meeting

July 31, 2010

Call to Order: Vice President Ken Mino called the meeting to order at 9:00 a.m.

He asked that all those present sign the attendance sheet. He noted that minutes of last year's annual meeting can be found at www.gowateruser.com.

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 was not a quorum present.

There were 10 households represented. (see attached list)

Board Members: The Vice President introduced the Board Members:

Officers

Jim Peoples, President (absent)
Ken Mino, Vice President
Rusty Miner, Secretary
John James, Treasurer

Directors

John Monroe, Director
Dave Kramer, Director (absent)
Gerry Tumey, Director (New)

The Vice President then introduced contract staff:

Bob Busch, Manager
Allen Kaplan, Auditor
Mike Young, Fann Environmental

Financial Report *Allen Kaplan, Auditor*

Allan discussed a financial report passed out to members.

June revenues-year to date are on budget. Revenues have been very steady for the past several years. The number of customers has peaked at about 450. Expenses are under budget by a little more than \$4,000. Accounting expense is over budget as mentioned above, and Water Testing and Repairs and Maintenance are under budget. Net income is \$10,401 YTD vs \$6,600 budgeted YTD.

Revenues are about the same as 2009. Expenses are slightly higher, due to the extra MDI billing and the generator repairs which increased Repair and Maintenance expense above last year. Net Income is down about \$8,000 from last year.

Allan reported that the Company now has about \$395,000 in current assets. Cash in bank accounts has increased to \$87,000, up about \$7,000 from last year. An additional \$4,248 in assets was added to the Balance Sheet (landscaping at Post Oak), and one additional meter deposit of \$250 was added.

Allan reported that total spent on assets since 1995 is \$821,599.

John James reported that a CD that matured at M&I Bank (\$53,000) was reinvested at 1.75%. An additional \$25,000 was taken from the checking account and invested in a new money market account at

1.5%. Balance in the Corporate account now is \$57,000. Operating Account is at \$22,500. Three more CD's will mature this year.

Allan reported that cash flow so far this year amounts to about \$7,500, down about \$14,000 from last year. He noted that the Company has spent \$821,000 on assets, reinvested in the business.

In response to a question about retained earnings, Allan noted that \$390,000 is in CD's and bank accounts, the remaining is the \$821,000 reinvested in equipment and improvements to the system.

Operator Report: *Mike Young, Fann Environmental*

Ken introduced Mike Young, president of Fann Environmental, the system operator.

Mike reported that the system is in excellent shape. Of all the equipment and systems that Fann Environmental is operating, GOWUA's is one of the best.

A question was posed as to whether efficiencies in operating the system improve with financials for the community. Bob pointed out that the company has been extremely fortunate in being able to invest over \$800,000 in plant to improve the system, all without borrowing a dime. That has allowed the company to install new, reliable equipment. A financially healthy company can provide a system that can be efficiently maintained.

In response to a question about whether water tables are continuing to be drawn down, Mike noted that Post Oak well was at 319ft. Bob indicated that since about 2002-3, water levels have declined about 50ft. Post Oak has not declined much at all compared to Deerfield & Glenshandra.

Another question concerned water use. Water use is down about 10 acre feet from a year ago. Bob indicated that water use seems to be related to summer temperatures and rainfall. 2002 and 2007 were the highest years of use- over 230 acre feet. Water use in summer is 4 to 5 times higher in summer than in winter.

Manger Report *Bob Busch, Manager*

Bob reported that Company growth has been flat for the past few years. Revenue has been flat. None the less, the Company has produced cash flow every year. The system is solid and reliable. We have three wells and three backup generators and the facilities are in great shape and are being well maintained by Fann Environmental.

Bob reported that the board has investigate potential buildout within the service area. The Company could be asked to serve another 100 or so customers.

Ken Mino noted that if we were to add 100 customers, the company would exceed 250 acre feet per year in water use. Bob noted that the 250 acre ft limitation is a threshold defined in the Prescott Active Management Areas, Third Management Plan. If a company exceeds 250 acre ft per year, it is classed as a large water provider, and is subject to stringent monitoring, reporting and conservation requirements.

Meeting concluded at approximately 9:30 AM.

List of Member Attendees:

Rusty Miner
John James
Ken Mino
John Monroe
Gerry Tumey
Ed Tumey
Mike Young
Bob Busch
Allen Kaplan

Claudia Miner
Fulton Wright
James Neal
Art Manburg
JD Zutell
Jamie Fox