

GRANITE OAKS WATER USERS ASSOCIATION

Annual Shareholders' Meeting

July 30, 2011

Call to Order: President Jim Peoples called the meeting to order at 9:00 a.m.

He asked that all those present sign the attendance sheet. He thanked Ken Mino for the use of his garage for the Annual Meeting. .

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 29 individuals present and approximately 24 proxies- well short of a quorum.

Jim Peoples announced that the meeting would be informational. He introduced members of the board:

Officers

Ken Mino, Vice President

John Monroe, Secretary

John James, Treasurer

Directors

Gene Zutell, (New)

Dave Kramer, Director (absent)

Gerry Tumey, Director)

The President then introduced contract staff:

Bob Busch, Manager

Allen Kaplan, Auditor

Mike Young, Fann Environmental

The President then turned the floor over to Bob Busch, who introduced Rick Shroads, President of Civiltec Engineering, Inc., and Doug McMillan, Sr. Project Engineer.

Doug McMillan began a visual presentation entitled "Macro-Rainwater Harvesting/Evaporation Interception ". He explained that the Prescott AMA is about 14,000 acre feet short of having a sustainable water supply. Most (98%+) of rainwater that falls in the area is lost to evaporation of transpiration. If that number could be reduced to about 94%, the area could reach a sustainable water source level.

He then turned the floor over to Rick Shroads who presented concepts for capturing, storing and recharging the aquifer. He referred to projects in other parts of the world that have successfully collected and stored water for human consumption and use.

The full presentation is available at

http://www.chinoaz.net/clerk/agenda/packet2011/2011Jan_RainWaterHarvesting_RShroads.pdf

Rick and Doug responded to numerous questions during the presentation. Jim Peoples thanks Rick and Doug for their educational presentation.

Financial Report *Allen Kaplan, Auditor*

Allan Kaplan reported that revenues for the first half of the year are within a few hundred dollars of budget. Expenses are over budget by about \$7,000, primarily due to the late billing & payment for insurance in January 2011 vs December 2010. Other items (for Civiltec and Clear Choice Design) make up the difference. For the 1st half of the year, the company is about \$6,000 under budget for net income.

Comparing with last year, billing is about the same as last year. Expenses are up- due to the January insurance billing and repairs & maintenance (up from last year due to tank painting). Accounting expense is lower than a year ago due to 7 months of MDI billing in the first half of 2010. Net income is about \$11,000 less that last year to date.

Only 1 capital asset item was added so far this year- a meter replacement. No new meters have been added to the system in 2011, 17 customers have changed.

Allan responded to several questions about specific account expenditures vs budget, about receivables, depreciation and profit. Jim Peoples commented that customers still pay a flat rate for water, the same rate that was charged when the company began in 1994.

He then stated that the water company was very fortunate in having back-up generators at all three of its facilities, something that few water companies could afford.

He then asked if Bob Busch had any comments. Bob stated that the company was in excellent shape, both financially and equipment wise. The company equipment is relatively new, and up to date, and little improvement is needed. He noted that fencing at Post Oak was replaced and fencing was recently added at Glenshandra for additional security. A new spare distribution pump will be installed (as a spare) later this year at Post Oak, costing about \$7,000.

Mike Young commented that Fann Environment has been operating the water system for several years, and that GOWUA's equipment is better shape and the company is better run than any of the water companies they deal with. He noted that GOWUA does not have to deal with Arsenic, as levels are below actionable levels and that water quality is very good.

Jim Peoples then asked if there were additional questions from the floor..

There being none, the meeting concluded at approximately 11:20 AM.