

PINE MEADOW MUTUAL WATER COMPANY

BOARD OF TRUSTEES MEETING

THURSDAY, OCTOBER 14, 2010

PINE MEADOW RANCH

SUMMIT COUNTY, UTAH

Board Members in Attendance: Eric Cylvick - President; Cal Cragun, Bill George, Brian Zelch - Board Members

Ex Officio: Brody Blonquist–Water System Manager

Trevor Townsend was excused.

President Cylvick called the meeting to order at 6:26 p.m.

Minutes - September 16, 2010

MOTION: Cal Cragun moved to APPROVE the minutes of September 16, 2010 as corrected. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Financials

The Board reviewed the profit and loss/budget versus actual. Mr. Cylvick reported that he met with Brody Blonquist, Cal Cragun and Carol Steedman the day before to work on the budget. They went through the profit and loss item by item and everything looked good. Mr. Cylvick discussed Vehicle Use and Maintenance, and noted that the \$4,124.58 the purchase of the green utility truck. He pointed out that the truck would go on the loan and the amount would be taken off the profit and loss.

Mr. Cylvick referred to the principle and interest payment of \$136,000 indicated on the profit and loss. He had budgeted \$224,000, based on the assumption that they would not be using the entire loan. However, because they now plan to use all the money, that number is expected to be closer to \$240,000. Mr Cylvick stated that once he closes out the loan, the interest and principle will be a fixed payment they can budget.

Mr. Cylvick noted that the \$203,000 expense for Salt Box drilling would also go on the loan and come off the profit and loss. Mr. Cylvick reviewed the numbers and noted that

they still have not paid two major expenses. One is the balance of the yearly loan payment, and the other is \$42,000 to lease the water shares from Weber Basin for the year. Mr. Cylvick remarked that until items are transferred to the loan, the profit and loss numbers would be skewed. Once the expenses are paid and the loan items are transferred, he calculated being in the red. He had budgeted a negative \$45,000 but anticipated coming in below that.

Mr. Cylvick reported that they tweaked some of the numbers when working on the 2011 budget. Mr. Cylvick stated that as a non-profit they need to show a zero or a negative balance at the end of the year. However, they are allowed unlimited reserve or restricted funds. Any available money at the end of the year needs to be transferred into one of their three reserve funds. Brody pointed out that there must be money in the bank to back the reserve.

Mr. Cylvick stated that the Board would need to vote on whether to raise or lower the level of income to increase the reserves. He stated that in 2000 the Water Company sent out a mailer asking owners if they wanted a special assessment or if they preferred an increase in rates. The response was negative for a special assessment and the rates were increased 40%. Prior to the increase, the rate was \$189 a year. Mr. Cylvick stated that over a short period of time they saved enough money to drill the Contact well and the Water Company became very viable.

MOTION: Eric Cylvick made a motion to APPROVE the profit and loss/budget versus actual. Bill George seconded the motion.

VOTE: The motion passed unanimously.

The Board reviewed the balance sheet. Mr. Cylvick noted that very little had changed. When they were working on the budget the day before, Carol had clarified the accumulated depreciation. Mr. Cylvick explained that the accumulated depreciation is based off of the prior year accumulated depreciation and calculated on an annual basis. Therefore, in January 2011, the accumulated depreciation will be calculated from 2010. That is why the accumulated depreciation amount changes year to year and never changes from meeting to meeting.

The value of the water system or total net assets were \$5 million. Cal Cragun reported that they also talked about leaving \$10,000 with Brighton Bank and moving \$130,000 to the Zions Bank money market for a higher rate of interest. He expected to make that transfer tomorrow.

Mr. Cylvick noted that there was \$88,000 in the capital reserve, \$20,000 for the contingency, and \$20,000 for legal reserve. He believed most of their legal expense would be due to the Joe Rush matter and Ted Barnes has all the files. Bill George could not understand why Mr. Rush would pursue the matter when he knows he owes the Water Company. Mr. Cylvick pointed out that the meters were pulled from Mr. Rush's property and they are now in the process of foreclosing on the water shares on the lots.

MOTION: Brian Zelch made a motion to APPROVE the balance sheet as presented. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Unpaid Bills

Brody Blonquist reviewed the unpaid bills. All West and Catapulsion were for internet service. Chem-Tech was for nitrate samples. Chesley Electric was the breaker for Bobcat Springs, which is located up the Contact Tank, just above Bobcat Springs. Brody explained that the breaker was old and neither he nor the electricians knew it was there. The breaker went out and Chesley Electric fixed it. Clyde, Snow and Sessions was the attorney. HD Supply Water Works was frost plates for the meters. He was unsure of the charges from Horrocks Engineers and would relook at the invoice. KGC Associates was for Carol's services. The majority of the charges for Loughlin Water Associates was to draw up specs for the well and for the bid packet. Mountain States Water Works still showed a credit. Regence Blue Cross and Blue Shield was the monthly insurance payment. Sinclair Fleet was for fuel. USA Blue Book was for a probe. The Utah Division of Finance was the monthly loan payment. Verizon Wireless was cell phones.

Mr. Cragun pointed out that the credit with Mountain States Water Works has been sitting there for two years. Brody preferred to keep it there so money is available when they need parts. Mr. Cylvick pointed out that the credit originally started at \$14,000. It is now down to \$9,000 so they have been using it. Brody stated that they can use the credit for maintenance on the water system, but if Mountain States Water Works writes them a check, that money has to go back on the loan. The amount is too minimal to make a difference on the loan, and it is better to use the credit for parts.

MOTION: Eric Cylvick made a motion to APPROVE the unpaid bills dated October 12, 2010. Bill George seconded the motion.

VOTE: The motion passed unanimously.

Joe Rush Update

Mr. Cylvick summarized the issue with Joe Rush and how it began. Mr. Rush ran 100,000 gallons through his meter and his meter ended up missing. When the Water Company decided that Mr. Rush owed the money, he involved his attorney and refused to pay. At that point Ted Barnes got involved and after some communication it eventually stalled. Brody and Trevor read meters in September and noticed that Mr. Rush's meter was spinning. They shut off the meter and called Mr. Cylvick requesting to take it out. Brody clarified that Ted Barnes had advised them to remove the meter. Mr. Cylvick authorized them to remove the meter and it was done. Mr. Cylvick stated that Mr. Barnes is now advising that the Water Company foreclose on the water share. A Notice of

Unpaid Assessments was filed so no one can purchase the property without paying the outstanding bills. Mr. Cylvick remarked that the Board needed to vote on whether or not to foreclose on the water share.

MOTION: Eric Cylvick made a motion to foreclose on the water shares on Joe Rush's Lots D-5 and D-24. Cal Cragun seconded the motion.

VOTE: The motion passed unanimously.

Brody clarified that the meters on both lots were pulled and they have locks on them.

Peacock Property, Lot PI-37

Mr. Cylvick reported that Carol had involved him in a conference call with someone trying to sell Peacock's house. The Board had granted Peacock a one-time reduction and the bank person balked at the \$8,000 amount and insisted that the bank would not pay it. The person from the bank suggested that the Water Company should reduce it to \$1500 and continued to argue that fact. Mr. Cylvick informed this person that the amount would not be further reduced and refused to argue with him. Mr. Cylvick remarked that Carol recently received a check from the bank for the full amount, which indicates that the property was sold.

Review of Health Insurance

Mr. Cragun stated that he had not fully completed his review of the health insurance. Regarding the life insurance, the policy was taken out in 2004 on a ten year level term. If they renew now, the premium for Brody's would go from \$370 per year down to \$265 and from \$130 down to \$120 for Trevor. In terms of health insurance, Mr. Cragun needed to make sure that Trevor and Brody would be covered on their doctors before they decide to make a change. If a change is made, it would be made on the January 1st anniversary date. Mr. Cylvick clarified that the Health Savings Account has not worked as well as they hoped and Mr. Cragun was suggesting that they go back to their original insurance. Mr. Cragun explained that with the Health Savings Account they saved money on the monthly premium, but spent more on health expenses.. Spending more on premiums and less on costs puts them further ahead on savings.

Mr. Cragun asked Bill George if he would be a back-up signer on the bank accounts. Mr. George was willing to do whatever they needed.

The Regular meeting of the Pine Meadow Mutual Water Company Board of Trustees adjourned at 7:00 p.m.

Minutes Approved

Date