

High Knob Utilities, Inc.

Meeting Minutes for July 15th, 2006

Call to Order: Keith Arnett called the monthly meeting of the High Knob Utilities, Inc (HKUI) Board to order at 9:00 a.m. HKUI Board members in attendance were Keith Arnett, Bob Brown, and Josh Douglas. Vince Bonzagni joined the meeting after the call to order.

Previous Minutes: Minutes from the April and May meetings were reviewed and accepted unanimously. No meeting was held in June.

Treasurer's Report: Bob Brown presented the treasurer's report for review. A question was raised about the cell phone expenditures, Bob Brown will check into this. Some calls earlier this year were personal calls for Dan Althouse, but he reimbursed HKUI for these calls. The 2004 audit has not yet been received, Bob Brown will check with the auditor. This has taken an unusually long time. Slightly over \$58,000 in cash on hand, after the July 1 loan payment, including receipts through May. HKOA reconciliation for 2nd quarter has not been done, we have not paid office rent yet. The treasurer's report was accepted as presented.

Staff Reports: Marcy McCann was unable to attend but submitted a written report (attached),

Jerry Pomeroy was unable to attend, a combined verbal report was presented by Dan Althouse. The crew has installed two taps, and cleaned brush and weeds from around the reservoirs. Other activities included Butler reservoir maintenance, quarterly meter readings, and replacement of seven broken meters (leaving only two to go). Three customer leaks were discovered during meter reading, and one HKUI leak. Alpine and Mountain Top reservoirs are scheduled for cleaning and maintenance, and mains flushing will be carried out in October. There are still a few software and hardware issues to be resolved with the Synchrony SCADA system, some on warranty, some are needed changes now that we are more familiar with the system. Dan will look into bringing a Synchrony rep onsite to do final clean up. Dan also raised the issue of a need for a PH monitoring meter. A professional unit would cost about \$350. See new business.

Water Operator's Report: See combined report above.

Unfinished Business: The issue of investing extra cash into interest bearing accounts was discussed. Between board meetings, Josh Douglas instructed HKOAI to apply collected water capitalization fees to the HKUI loan principle. Keith Arnett expressed a concern that we were potentially tying up liquid funds without any kind of cash flow analysis. The board requested Dan Althouse to do a 10 year cash flow analysis for presentation at the next board meeting. Vince Bonzagni put forward a motion for Josh Douglas to research available investment instruments such as certificates of deposit and to work with Bob Brown to purchase an appropriate short term investment instrument for not more than \$25,000. The motion was seconded by Josh Douglas and passed unanimously. A more permanent disposition of cash on hand can be done at the end of the fiscal/calendar year when a clearer view of our financial position is possible. Keith Arnett also pointed out, and Dan Althouse agreed, that HKUI needs to start building a capital improvement reserve.

New Business: The board discussed the procurement of a PH meter. Josh Douglas stated he had a simple PH meter that Dan could borrow to see if it would meet his needs, and Dan agreed to do so. The consensus of the board was that if this did not meet the need and the professional meter was required, it could be purchased.

Keith Arnett gave a brief report on the computer upgrade in the office. A second computer has been installed for part time employee Chase Ragsdale, and the two computers are linked via a secure wireless router. More work is required to fully complete the installation, but operations are working normally at this time.

Marcy and Jerry reported an incident of meter tampering (after a water shutoff). Notices are now provided to shut-off customers informing them that meter tampering is illegal and that HKUI will pursue legal remedies.

Keith Arnett discussed preparations for the annual meeting in October, and inquired of the current board members' interest in standing for reelection. Bob Brown indicated that he would not run again, and Jem Anderson also indicated he will not run again by e-mail. The remaining board members agreed to run again.

Question and Comment Period: There were no additional questions or comments.

The meeting adjourned at 10:25 a.m. A number of board members will be traveling out of town in August, so the next meeting was set for Saturday, August 26 at 9:00 AM.

Keith Arnett
President, HKUI

High Knob Utilities
Marcy McCann
Business Manager's Report
July 15, 2006

On June 14, 2006 HKUI became a registered merchant with Check Free so that Online payments made through hundreds of financial institutions will now go directly to the Greater Atlantic Bank account. Bob Brown was the signing officer , on the Check Free application. A notice suggesting Online payments is on the invoice being spent this quarter.

We had a returned check that resulted in an immediate Disconnect because the check was used to pay on the Disconnect day. This customer turned on the meter that evening and Jerry turned it back off this next morning after noticing that the meter cover had been moved. Under the direction of Keith Arnett we have now attached a letter he prepared to each of the pick Disconnect door hangers. The letter informs the customer that meter tampering is illegal.

Also at Keith's request the Warren County Sheriff's Office was contacted to determine the exact procedure to handle meter tampering. Patrol Sergeant C. Michael Prince visited the office with a copy of the Statute covering Crimes Involving Fraud. We will now follow the procedure under section 18.2.187.1 . Meter Tampering is a Class 6 Felony.

Chase Ragsdale was hired as the part-time bookkeeper office assistant and he has been very helpful in several areas. Jim Coats duplicated the front office desk at a much reduced price. Chase is using the Project Office so he can work in a quieter environment. Chase is currently working on the investigation of the Performance Bond Account for OA, but has also performed many UI tasks and will be creating some UI invoices from Quick Books on Monday. We will send these out on Tuesday.

I had a Quick Books Pro do in office training and remedy the way Bounced Checks were handled in the UI Quick Books. She used instructions from version 2006 which did not involved the use of Credit Memos and now deducts the returned checks directly from the Bank account in Quick Books. The previously used method, which I did not agree with, was convoluted and as Bob Brown resulted in double revenues and expenses. Will Bush and Carolyn Landis had differing opinions as to how the accounts were to be set up so their manipulations caused a conflict within the system. The Quick Books Pro gave us a clean starting point and a better indication of the actual income and expenses related to NSF checks.

As reported in the HKUI May Staff Report I asked Andrea Coats to assist with several things related to the installation of the second computer and she and Jim were a very instrumental in getting things set up. Dave Henderson also assisted and he and Keith Arnett did the final networking. Each stage allowed Chase and me to work more efficiently and we appreciate all the hard work and time

involved. We are now much more efficient in that 2 people can work at the same time.

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Staff Report

Dave Henderson has recommitted to assisting with the integration of the Excel spreadsheet info into Quick Books. We hope to have that accomplished by the next billing cycle.

Respectfully submitted,

Marcy McCann

HK Utilities 5/06

• Current Water Production Average/ Daily

• Salt Lick Springs	21,000
Salt Lick Springs export to well	2,000 (swimming pool)
Salt Lick Well	1,500
Alpine Well	0
Butler Wells	12,000
Butler Spring (No Name Reservoir)	1,100
Spring	0
Paved Road Wells	<u>11,000</u>
	48,600

1. *There are no leaks to report in the distribution system.*
2. The springs have regained strength and Jerry found the drain valve at the receiving tank partially open - the valve is defective. Maintenance shutdown on that tank is part of this years budgeted plan.
3. There was a customer leak on the MT. Top system. Customer should be charged for damages to system repaired by our crew. 10,000 gallons per day. System is OK
4. A transfer pump at Alpine is leaking - Our replacement pump is being donated to OA for pool. The Alpine unit will be removed and taken to Winchester Electric for overhaul.

Projects

Staff has been working on pool issues, Boulder Dam and transfer line getting the pool *off of* our potable water system etc.. After this is finished we will complete this year's list from budget:

1. Install blowoff hydrants
2. Finish replacement meters
3. Work on SLS tank in August

I will be installing new chlorine monitors this and next month, one of them has arrived.

VDH has not updated our permit for new capacity and storage. I will be working on this and other regulatory and record updating (i.e. system description) this summer.

I will have this year's CCR finished this next week to go out in next billing.

Attached is my first pass at a list of required activities for HKUI - I will probably rearrange it to daily, weekly, monthly, annual with due dates and add what I have forgotten.

Respectfully submitted. Dan
Althouse