

# High Knob Utilities, Inc.

## Meeting Minutes for December 11, 2006

**Call to Order:** Dave Henderson called the monthly meeting of the High Knob Utilities, Inc (HKUI) Board to order at 7:10 p.m. HKUI Board members in attendance were Keith Arnett, Vince Bonzagni, and Josh Douglas. Thomas Ricks was absent due to a schedule conflict.

**Previous Minutes:** The Board reviewed minutes for the November 11 HKUI Board meeting and for an interim meeting held December 2 for the purpose of approving the establishment of a new CD account. Keith Arnett moved that the reports be accepted as submitted, and Josh Douglas seconded the motion. The motion to accept was approved with Vince Bonzagni abstaining.

**Finance Report:** Chase Ragsdale presented a financial report in two slightly different spreadsheet formats. One format included the most recent month's expenses, the other did not. After some discussion, the board informally decided that the format with the most recent monthly expenses should be used. There were no more projected revenues for 2006 and the remaining payables were negligible. Account balances, accounts receivable, and outstanding loan amounts are as shown on the attached report. Dan Althouse is still investigating the apparent high cost of chemicals (acct. #618). Dan is also investigating a review of our insurance costs. Keith Arnett moved that the reports be accepted as submitted, and Josh Douglas seconded the motion. The motion passed unanimously.

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

Jerry Pomeroy submitted a written report (attached). Jerry also reported a short water outage on Mountain Top Road caused by a bad switch, addressed immediately. The system is running well. Vince Bonzagni (a Mountain Top resident) expressed his thanks for the rapid response and repair. During the discussion of utility and road issues at the residence of Mr. Garth Gatlin, 728 Shenandoah Valley Dr., Doug Stanley, Secretary of HKOAI, appeared before the board to present a completed survey of the property in question, clearly indicating that HKUI pipes and meter are located on the road right-of-way and not on the property in question. Attorney Daniel Pond will be sending a letter to Mr. Gatlin informing him that he has five days to restore the area to its original condition. If the work is not done by then, HKUI will complete the work and bill Mr. Gatlin. The board informally agreed that any further action on this issue (if warranted) would be referred to the Commonwealth's attorney.

Marcy McCann was unable to attend and submitted a written report (attached). Keith Arnett raised an issue concerning the mention of a census form being included in the next mailing. In general, insertions in the water billing should be approved by at least one board member, and ideally the entire board. Also, the need for this census or survey should be verified before it is conducted, as there has been confusion in the past about what the Virginia Department of Health recommends, and what it requires.

**Water Operator's Report:** Dan Althouse was not present and no report was submitted.

**Unfinished Business:** A budget-planning meeting was held on December 2, with all board members in attendance except Vince Bonzagni. . In addition to planning the 2007 operating budget, the board discussed the disposition of working capital available at the end of the fiscal year. Two possible uses for this money would be a) use it to pay down the principal on the VSRF loan balance, and b) set it aside in a capital fund account for future improvements and capital projects. The matter was discussed quite thoroughly.

At present, HKOAI is paying HKUI the amount of \$60,000 for past water capitalization fees collect for past years, up through 2005. An initial payment of \$10,000 was made in 2006, and payments of \$5,000 per year will continue for a period of 10 years. Based on previous agreement between the boards, these payments are submitted directly by HKOAI to the VSRF loan account for application to the loan principal.

In addition, the most recent 10-year financial projection being used by the HKUI board calls for four new taps per year through 2016, resulting in the collection of an additional \$10,000 per year in water capitalization fees. If this money is combined with the \$5,000 payment, the loan principal can be reduced by \$15,000 per year, or a total of \$150,000 over 10 years.

At the same time, HKUI can begin to accumulate a capital improvement fund. The amount of this fund is as yet undetermined, but would likely range from \$250,000 to \$300,000. When the designated amount is reached, any additional working capital in subsequent years can be directed to the loan principal.

This scenario also assumes an annual budget item for a “reserve fund” to address unexpected expenses outside the planned budget, (typically 3-5% of the total budget). Any unspent portion of the reserve fund becomes part of the working capital at the end of the year.

The need to build a capital improvement fund is based on the fact that until our current VSRF loan is mostly or completely paid off, it will probably be difficult to secure another loan for any capital improvements that may be needed during the life of the loan.

The majority of those present seemed comfortable with this two-pronged approach – paying down the loan principal with the water capitalization funds, while simultaneously building up a capital improvement fund. At the conclusion of the meeting, Dan Althouse and Chase Ragsdale were asked to conduct an analysis and projection on what amount would be needed for the capital improvement fund, how long it would take to accumulate that amount, and recommendations for the best way to contribute to the fund.

The board formally convened to approve the transfer of funds from the BB&T investment account to a CD at Rappahannock Natl. Bank (see separate minutes).

Josh Douglas reported that he and Keith Arnett had initiated the transfer of \$36,000 from the BB&T account to a RNB CD, with the remaining \$9,438 deposited in the Greater Atlantic checking account to cover expenses until the next billing cycle. The BB&T account earned \$438 over five months. Josh presented signature forms for the remaining board members to fill out and return.

**New Business:** Chase Ragsdale presented the board with the proposed operating budget for 2007.

**Question and Comment Period:** There were no additional questions or comments. Two corrections were noted:

- Estimated taps should be four, not 20
- Footnote #2 should be removed.

Keith Arnett moved that the budget be accepted as corrected, and Josh Douglas seconded the motion. The motion passed unanimously. It was noted that copy must be sent to the loan authority per terms of the loan agreement.

The meeting adjourned at 8:06 p.m. The next meeting was set for Saturday, January 20 at 8:00 AM.

Keith Arnett  
Vice-President, HKUI

Jerry Pomeroy  
Field Services Manager  
HKOAI / HKUI

Members of the Board:

Projects Completed:

OA

- finished grading dirt roads
- finished cutting back all roads and reservoir sites
- installed temperature probes at Paved Rd. reservoir
- insulated valves and meter cracks from top of mtn. down to Split Rail Trail
- set new toilets at clubhouse
- Shenandoah Builders, gravel and cleanup of site on Windy Way
- culvert has been installed at Pollock's driveway

UI

- tap for Shenandoah Builders on Windy Way
- backfilled around crack with dirt on Shenandoah Valley Dr.
- cleaned chlorinator at Salt Lick Reservoir
- hauled dirt to Gatlin's residence for backfilling tap, postponed by board, dirt has been taken away by someone

JP/tcr

High Knob Utilities, Inc.  
Business Manager's Report  
December 11, 2006

- Prepared and mailed 2nd Notices

Prepared and mailed 3rd Notices

Made calls to all customers on the verge of having water cut off. Many payments arrived over the weekend prior to Monday deadline. Resulted in four cutoffs on Monday, I on Tuesday. Several customers were out of state. Only one location remains off as of 12/10/06. This location is a 2nd home.

Completed comparing Quick Books accounts to hard files in both UI and OA. Purged old files and placed in storage.

As a matter of course I work with title companies and Realtors as properties are purchased, or rented to assure final water bills are collected at closing. Two closings are scheduled for this month.

Worked on information for web site and Invoices to provide instructions for those wishing to pay on line.

A verbal report will be given on the number of online payments that resulted in direct deposits to the Greater Atlantic Bank. A fax arrives in the office alerting to the direct deposits. Payments are entered each morning and a folder containing faxes is provided to Chase Ragsdale.

Continue to set up accounts, and provide welcome packets to new residents as they move in.

Provided Vince with a copy of letter needed at end of year for State.

Informal census: worked on verbiage for next mailing to ask for household population. This is required by State Dept. of Health.

Respectfully submitted,

Marcy McCann

T. Chase Ragsdale  
Bookkeeper HKOAI  
/ HKUI

Members of the Boards:

Items outside of day-to-day operations accomplished November 06:

- reviewed P. bond acct., Judy Pfeiffer's bond was released from 05 as a direct result of this review (OA)
- filed 2 -941 tax returns for years 01 and 04, corrected and re-filed W-3 for tax year 03, filed 940 for 04 and corrected a couple of previously filed 94 I's due to error (OA)
- corrected acct. correlations for the truck payment and firewise reimbursement cks. (OA)
- setup a dept. of forestry customer acct. so that we could invoice and receive firewise reim. through this acct. (OA)
- created new income accts. so that unnecessary items would not show up under association revenue income acct. (OA)
- wrote off bad debt expenses for inactive customers that cannot be contacted (smaller amounts not requiring liens) (UI)
- reviewed P & L detail and made acct. correlation adjustments, removed HKUI-Reim. acct. from the balance sheet and made an income acct. (OA)
- setup petty cash bank accts. for both companies and created log sheets for any refunded amounts so that it can be expensed appropriately (OA) (UI)
- reviewed P & L detail with Dan Althouse and made necessary corrections for budgetary purposes (UI)
- filed paperwork with the state to become a notary public
- consolidated and removed duplicate and unnecessary expense accts., approval granted (UI)
- provided dec. estimates for expenses for Dave Henderson, also for budgetary purposes (UI)

reviewed HK clubhouse payments and corrected acct. correlation (OA)

created a fund transfer information sheet so that we longer write cks between bank accts., this eliminates the possibility of double entries in correlating accts. and leaves a paper trail so that transfers will be accounted for (OA)

Items outside of day-to-day operations projected for December 06:

- interest bearing checking accts., this includes contacting Carolyn at Dynatax to question tax ramifications (OA)
- reviewing UI loan paperwork with Dan Althouse (UI)
- reviewing Nextel package plan and making adjustments if cost beneficial (UI)
- changing of the filing system on how we handle split invoices and visa payments (OA) (UI)
- continuation of QuickBooks system review to assure we start 2007 with correct accts. and bookkeeping figures (OA) (UI)



# High Knob Utilities, Inc.

17 Windy Way • Front Royal VA 22630 • 540-635-6131  
Fax: (540) 635-6635 • [E-mail: hkoffice\(d,\)earthlink.net](mailto:hkoffice(d,)earthlink.net)  
Website: <http://www.hkui.org>

## Bank Account Balances as of Dec. 11, 2006: -

Greater Atlantic Checking - Greater	\$57,675.20
Atlantic Savings - Rappahannock	\$22.22
National Bank	\$36,000.00
BB&T	\$0.00
Petty Cash	\$400.00

## Accounts Receivable:

= \$3,238.49

## Outstanding Loan:

= \$851,267.51