

**SILVER SPRINGS MUTUAL WATER COMPANY
BOARD OF DIRECTORS
MEETING MINUTES
MARCH 20, 2014**

President Peek called the meeting to order at 4:00 p.m.

Roll Call:

- Present: Claud Butler, Darlene Geurts, Joyce Jenkins, Scott Keller, Avis Moniz, George Peek and Peggy Yon.
- Absent: None.

Member's Comments:

- Comments on any item not on the Agenda and pertinent to the SSMWC Board of Directors were heard. Member opportunity for "comments only" included questions at this portion of the meeting. Member comments for items not on the Agenda are contained in the Membership Annual Meeting Minutes. The Board of Directors and General Manager Roy McDonald introduced themselves to those gathered at 2485 Ft. Churchill Street, Silver Springs, Nevada. The corporation's legal counsel was introduced, Mr. Chuck Zumpft, Attorney from the Law Firm of Brooke, Shaw & Zumpft.

Introduction of Nominees:

- The five nominations for two vacancies were announced. Each nominee was afforded two minutes to speak to the membership; Avis "Puff" Moniz, Joyce Jenkins, Chuck Noble, Doug Frenton and Valerie Messaros.
- Nominee comments are contained in the Membership Annual Meeting Minutes.

Placing of Ballot Box & Voting for Directors:

- Voting began after placing of the ballot box at 4:15 p.m. and ended approximately a half-hour later at 4:45 p.m. with a reminder given at five minutes and just immediately prior to end of balloting announced.

Secretary's Report:

- Vice President Yon made a motion to approve the meeting minutes of January 16, 2014 as presented; 2nd to the motion was made by Member Geurts. President Peek called for corrections or revisions to the Director's Board Meeting Minutes of January 16, 2014 and there being none, motion carried unanimously.

Treasurer's Report / Yearly Audit Report:

- Treasurer Moniz introduced Beth Farley, Certified Public Accountant of the auditing firm of Kohn & Company, LLP who presented the annual audit of financials for 2012 & 2013. The audit opinion was clean with nothing unusual discovered during the audit process. Adjustments were proposed as part of the audit process and they dealt with capitalized loan, grants and solar project. The statement of financial position for 2013 reflected approximately \$516,000.00 in total current assets and \$415,000.00 in prior year. Property, plant and equipment increased by about \$360,000.00 over prior year, from five million to 5.3 million dollars. Other assets of approximately \$329,000.00 were during 2012 and about \$299,000.00 in 2013; total current liabilities were \$137,000.00 versus \$64,000.00. Long term debt was approximately \$800,000.00 last year and just over about one million this year. Total unrestricted net assets of the water company were about 4.8 million dollars in 2012 and approximately 5.0 million for 2013. The statement of activities showed unrestricted revenues and other gains at about \$975,000.00 for 2013 and prior year at approximately \$764,000.00. The solar panel grant received was the difference. Total expenses were about \$786,000.00 last year and \$800,000.00 this year, for a change in unrestricted net assets of about \$167,000.00, which was an increase. The statement of cash flows starts with a change in the net assets, from the statement of activities, which takes into consideration things like depreciation, the solar panel grant and changes in accounts payable, etc. for cash provided by operating activities at approximately \$231,000.00 net. Cash used on investment activities for the purchase of plant and property was at about \$334,000.00 and financing changes were about \$200,000.00 which was the new note payable so the total increase was about \$97,000.00. According to government auditing standards, the independent auditors report is an unqualified opinion, or clean opinion, which is good and is what is desired for the corporation. Ms. Farley asked the Board if there were any questions. President Peek noted the opinion as an unqualified opinion and a good report card of the operation and Ms. Farley responded there were no management letters, comments, fyi's or any of that which would indicate problems and that overall it was a good report.
- President Peek thanked Ms. Farley and asked if there were questions from anyone. Valerie Messaros asked for the name of the CPA firm and its proper spelling which was answered by Ms. Farley. She wanted to know if audit

records would be available to the rank and file; President Peek indicated that General Manager McDonald would accommodate requests to review specifics. Member Keller made a motion to receive and accept the 2012-2013 annual audit of financials as presented; 2nd to the motion was made by Vice President Yon. There being no further discussion, motion carried unanimously.

Discussion of Article XI, Rules, Regulations and Tariffs:

- President Peek explained that under consideration by the Board at regular meetings is modernization of operating principles is necessary to address rules, regulations and tariffs that have not been addressed for a good period of time, and with the assistance of the corporation's Attorney, Mr. Chuck Zumpft, progress towards this goal is being made. President Peek encouraged members to attend regular Board meetings as this is being developed.

Discussion of Article XI, Rules, Expansion of Service Area:

- There have been six written requests from property owners to be in our service area. These properties are in an area that SSMWC has water lines already available and map was available. General Manager McDonald explained that during the course of the USDA project analysis and preparation, it was discovered that the north water tank is not located within the SSMWC service area, therefore, property owners directly below and adjacent to the water tank were identified and letters mailed to because a Public Utilities Commission (PUC) service area expansion application was going to be necessary to include the existing north tank. All of the property owners were asked if they wanted to come into the service area and they chose to be included with letters of support. Parcels are ERGS, Vaqueros Food Supplement, the Roman Catholic Church, KNS Forward Investments and Garcia. If they want service they would have to pay connection costs just like anybody else. The water company does not pay for the expansion of water mains. Developers pay for the expansion of water mains. There are a total of six written requests but there are multiple parcels owned by some of these property owners. Years ago, another parcel was brought into the service area half inside and half outside. An entire parcel is either in or out, not split with some of it not served. This parcel is owned by ERGS. If ERGS were to sell it and it was developed, with fees paid by the developer, connect at the front of the property (the portion inside the service area). But once water is to the parcel, the property owner could in fact extend their lines outside of the service area to the back of the parcel illegally. This is why it is obvious this parcel is needed within the service area. Discussion with further clarification followed about the earlier reference to developer costs associated with water main extensions and connections from a question posed by Valerie Messaros who also asked for that specific parcel number and further confirmation that this was done before General Manager McDonald was here.
- General Manager McDonald asked that the Board direct him to proceed with the application to the PUC concerning the expansion of the service area for the parcels he outlined in his presentation. Secretary Butler made a motion to approve the application to the PUC; 2nd to the motion was made by Member Geurts. President Peek called for discussion, there being none offered during this opportunity to speak, motion carried unanimously. Then from her seat, Valerie Messaros blurted out "do I get to vote?". President Peek responded to her out of order interruption indicating that she could but just not too loud.

New Business:

- Election of Directors
- By-Laws Article V, section 2, paragraph 2 states at each Annual Meeting, Directors shall be elected by the members of the corporation. The Nomination for Board of Directors will be accepted from members of SSMWC between October 1st and December 31st of the year preceding the election. The names of nominees will be posted online at silverspringsmwc.com with a short Bio from each. Balloting for candidates will be held at the Annual Membership Meeting in March of the following year. For purposes of Board election, cumulative voting shall not be allowed. Counting of the ballots was performed by employees Wendy Weaver, Kathleen Sullivan, Attorney Chuck Zumpft and volunteer member Mary Lancaster who was first to raise her hand when asked for a volunteer. Additionally, employees Weaver and Sullivan were assisted by employee Matt Martensen who in turn requested the aid of Lyon County Commissioner candidate and member Don Alt to observe the vote tally sheets recorded by Zumpft and Sullivan. Martensen unsealed the ballot box and handed individual ballots to Weaver who read each one aloud and each reading was witnessed by Lancaster. These procedures produced the voting results contained in Annual Membership Meeting Minutes.

Adjournment:

- Secretary Butler made a motion to adjourn the meeting. The Board was notified that the election results were almost ready. President Peek allowed comments from the audience. There was another pause to check on the progress of the ballot count. 2nd to the motion was made by Treasurer Moniz. The incumbents were re-elected and the meeting was adjourned.
- The next meeting is to be held at 4:00 p.m. on Thursday, May 15, 2014 at the SSMWC Office.

"Silver Springs Mutual Water Company is an Equal Opportunity Provider and Employer."

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at <http://www.ascr.usda.gov/complaint.filing.cust.html>, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U. S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, DC 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.