

**SADDLE RIDGE RANCH ESTATES WATER COMPANY**  
**BOARD OF DIRECTORS MEETING**  
**MAY 9, 2023**  
**VIA ZOOM**

Present: Tracy Currie  
Fred Brazelton  
Tommy Pitinger  
Aaron Huckstep (“Huck”)

Management Company: Kat Loughan, Toad Property Management  
April Pannell, Vision Accounting and Tax Preparation  
David Jelinek

Kat called the meeting to order at 2:05 p.m. and said there was a quorum.

Tracy made a motion to approve the minutes of the December 9, 2022 meeting. Tommy seconded the motion and it was unanimously approved.

Tracy introduced April Pannell and explained April would be dealing with all accounting matters for the Water Company including tax preparation.

Tracy explained the 2023 Shareholder meeting had been delayed due to accounting issues arising from the transition from Peak Property Management to Toad Property Management. Tracy said at the end of January Vision Accounting and Tax Preparation had been hired to take over all the accounting matters, including Accounts Receivable, from Toad. Tracy explained the necessary accounting entries had now been made and the Shareholder meeting could be scheduled.

Tracy explained Toad had been unable to bring in historical accounting data from the QuickBooks file from Peak and April had found a way to make that happen and full accounting information was now available back to 2006. During the review of the accounts several items had been highlighted and corrected. The capital maintenance invoices had not been sent out at the end of January 2023 and past due statements had not been sent out.

Tracy said due to issues between QuickBooks software and Community Banks the funds had been moved to Wells Fargo and two new accounts established. Fred agreed to go to Wells Fargo to sign the signature cards for those accounts. Tracy and Fred would have signing rights to the two accounts and April would have “read only” access online.

Tracy explained all accounts payable invoices needed to be emailed to April and to Kat. Invoices submitted by the 4<sup>th</sup> of each month would be paid by the 15<sup>th</sup> of that month, subject to approval of those invoices. On the 5<sup>th</sup> of each month invoices would be reviewed and payment authorized and then electronic payments would be made through QuickBooks. Tracy said the updated process was designed to provide prompt payment to Vendors.

Invoices to owners would be sent electronically from QuickBooks and owners would have the opportunity to pay by ACH or credit card or mail a check and that check would be deposited into the Wells Fargo account by Toad. Kat said she would check if deposit slips for the Wells Fargo accounts had been received by Toad.

Kat would be notifying all shareholders of the change to accounting procedures. Vision would be sending out invoices for the Capital Maintenance and statements for past due accounts.

Tracy explained Lot 8 had been sold by DaPuzzo to the Hesters on December 27, 2021 but that information had not been entered by Peak when invoices went out on January 3, 2022. Tracy said DaPuzzo would receive a credit of \$8,327.87 and the Hesters would be invoiced for those costs incurred by Lot 8 during 2022. Tracy said the Hesters had attended the Shareholder meeting and heard about the \$7,000 special assessment.

Tracy said every six years it was necessary to file documents with the Water Court and explain how water was used. Tracy explained the 15 homes currently built had confirmed water rights and temporary rights had been requested for the lots still to be developed. Legal expenses of approximately \$3,600 had been spend so far and Tracy said if the Water Court petition was not challenged the costs would be approximately \$6,000 and costs could be significantly higher if a challenge was made. Tracy explained as the legal fees were an expense every six years those legal fees would be assigned to the Long Term Maintenance Budget and not considered an operating expense.

Tracy explained Public Water Service costs had increased by approximately 50% since the Budget was established in December 2021. Tracy said after SGM, the engineers, had priced the work the State regulations had been updated and more equipment had to be installed in the water treatment plan and computer system and telemetry costs had increased significantly. Changes requested by the State might push the cost up further and until bids had been obtained from contractors the actual cost of the work was not known. Tracy said the costs would now be approximately \$300,000 and David Jelinek said the work had to be performed and the work was essential. Tracy said the Motorola radio system was no longer available and a replacement for that system was difficult. Timberline continued to try to source the upgraded Motorola system and research for an alternative method had indicated a Verizon cell tower would be needed in the area. The computer system could be installed but the telemetry upgrade might take months to source and install. If the existing radio system failed David Jelinek or somebody else would have to drive around and manually perform the work.

Tracy said approximately \$75,000 would be required to order the computer and telemetry system and recommended those orders be placed as soon as possible so the updated equipment could be installed as soon as it became available. Tracy made a motion to budget \$75,000 for a new computer and telemetry system. Tommy seconded that motion and it was unanimously approved.

Tracy recommended proceeding with an Arc GIS mapping system. Tracy explained SGM had located all the infrastructure for the water system and the Arc GIS system at a cost of \$35,000 and \$900 per year operating cost would make it possible to precisely locate pipes, valves, etc, buried under snow. Tracy made a motion to proceed with the Arc GIS mapping system. Tommy seconded the motion and the expenditure was unanimously approved.

Prior to the meeting Tracy said the draft Water Manager Report had been circulated to the Board for approval prior to the document being sent to the shareholders. Tracy explained events from July 14, 2022 regarding Radium 228 levels had been explained in the Report and ongoing sampling was now a requirement of the Colorado Department of Public Health and Environment (CDPHE). It was generally agreed the Water Manager Report was acceptable and would be sent to shareholders with the annual meeting documents.

Tracy explained SGM, engineers, had been hired in 2021 and no other engineers had been willing at the time to provide a bid. SGM had given a not to exceed figure of \$27,000 for the work for a public water system. Some invoices were delayed during the transition from Peak to Toad and the invoices had now reached \$50,000. Tracy explained finding another engineer to complete the project would be difficult and some of the additional costs did relate to the State changing the regulations. Tracy said after several months of contacting SGM to discuss the discrepancy SGM had proposed a fixed fee of \$42,000 to completely finish the work with the State plus \$5,000 for bid and construction documents. Concern was expressed about some of the work performed by SGM as some mistakes had been made during the process. After a long discussion Tracy made a motion to increase the budget for SGM to a maximum of \$43,000 to complete the submission to the State. Tommy seconded the motion and it was unanimously approved.

Tracy said the 2022 financial review had been completed and the Water Company finished the year under budget. April explained the difference between accrual reporting and cash basis reporting. It was generally agreed accrual was the preferred method of presenting the financial information. April said monthly reports would be sent to the Board. April explained during 2022 the Association had income of approximately \$42,000 and operating expenses of \$37,000. Tracy said 2022 was the first year with a net income figure and as costs would continue to increase it might be necessary to increase rates for one or both of the two water fee tiers, water users or water availability fee. It was agreed to discuss at a future meeting.

April explained the HOA owed approximately \$20,000 to the Water Company and some of that was outstanding from January 2022. Kat said the HOA had not yet scheduled their annual meeting. April and Kat said they would continue to work on the delinquencies.

Tracy said the draft 2023 Budget had a net income of \$2,700 and recently approved expenses for the water system could be covered by funds collected through the special assessment. It was generally agreed there would be further discussion of the 2023 Budget at a future meeting.

April left the meeting.

Tracy explained documents for the Public Water System were being signed and it was necessary to enter into a maintenance and service agreement with any non HOA owners using the water system. Tracy said according to the Bylaws all users of water were required to sign a Subscription Agreement but only one signed Agreement had been found and it was unclear what had happened to any others. After discussion it was agreed to discuss a review and potential change to the Bylaws or drafting of Rules and Regulations.

Concern was expressed about the upkeep of the Shareholder Register. Huck confirmed the Notice of Inclusion recorded in the County records required title companies to notify the Registered Agent (Toad) of any pending sales and the contact information of new owners. Kat agreed to reach out to April at Vision for financial information and Huck to amend the stock certificates and then Toad would update the Shareholder Register.

A short board meeting to discuss outstanding matters and an Executive Session would be held on May 15<sup>th</sup> or May 16<sup>th</sup>.

At 3:46 p.m. Tracy made a motion to adjourn the meeting. Tommy seconded the motion and it was unanimously approved.

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Prepared by Rob Harper, Toad Property Management

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