

**MINUTES OF REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
SOUTHGATE WATER DISTRICT
ARAPAHOE AND DOUGLAS COUNTIES, COLORADO**

June 8, 2010

The Board of Directors of the Southgate Water District, Arapahoe and Douglas Counties, Colorado, met in regular joint session with the Board of Directors of the Southgate Sanitation District on Tuesday, June 8, 2010, at the office of the Districts, 3722 East Orchard Road, Centennial, Colorado 80121. The meeting was called to order at 4:00 p.m., by the President and Chairman, George MacDonald. These minutes reflect the proceedings of the Board of the Southgate Water District.

Notice of the meeting was duly posted as required by law. The agenda for this meeting was posted at the District office more than 24 hours before the meeting convened. The purpose of the meeting was stated to be for consideration of any and all business that may come before the Board of Directors of the Southgate Water District.

The following Directors were present:

David Bickham
John J. Herbolich
Terry Kirkpatrick
George J. MacDonald
Don E. Winslow

Also present were:

Duane Tinsley, District Manager
Bert Bondi, District Auditor

Approval of Agenda:

Director Herbolich MOVED to approve the agenda as presented. Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Public Comment:

No public comment was offered.

Public Hearings/Scheduled Visits: None.

FY 2009 Audit (10-09):

Chairman MacDonald invited Auditor Bondi to discuss the draft audit materials contained in the packet.

Auditor Bondi briefly reviewed the audit process, including: monthly progress reviews, monthly letters to governance, and then year end audit. Progressive “fixes” were dealt with through the year. The numbers and resulting financial statements, (together with the “client representations” letter signed by the Manager during the audit process), are the responsibility of the District. Only a couple of small adjustments were necessary at year end. The two page “Independent Auditor's Report” and the review process leading to that report are the auditor's responsibility. He reported that there were no “exceptions” with management representations and the accounting policies used by the District. There were no discussions of significance. He then reviewed the “Independent Auditor's Report”, noting that there was: 1) audit of the financial statements prepared by staff, 2) review of a statistically sufficient number of representative transactions, 3) review of the Manager's “Discussion and Analysis”, and 4) review of the budgetary statements. The “Opinion Statement” communicates that the financial statements fairly reflect the financial position of the District at the end of the year and the financial activity for the year. It was an unqualified “clean opinion”.

He briefly reviewed the “Statement of Net Assets” (a.k.a. Balance Sheet) and “Statement of Activities” and the significance of the various numbers. Expenditures were as planned but revenues were substantially below the budget anticipation, (notably tap sales and interest earnings). Director MacDonald asked if the interest figures were inclusive of the “mark to market” adjustments. Auditor Bondi responded in the affirmative.

Auditor Bondi then reviewed the “Report to Governance”. The report contained a financial analysis section presenting statistics and charts regarding “Investment Income”, “Tap Sales” and “Operating Loss Comparison”. The report additionally contained a number of “Advisory Comments and Suggestions”. Auditor Bondi indicated that the auditing standards classify such comments and suggestions as “Material”, “Significant Deficiencies” or “Minor”. In Southgate's case all comments and suggestions fall into the “Minor” category, (“pebbles not boulders”), but warrant consideration and response. Each item was briefly discussed.

Director Winslow MOVED to approve and deliver the District audit to appropriate parties. Director Herbolich SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Auditor Bondi presented an audit engagement letter for fiscal year 2010, with indication that the form and fees are essentially the same as the 2009 audit engagement.

Director Herbolich MOVED to approve the audit engagement for fiscal year 2010 as presented. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Auditor Bondi departed at this point.

It was agreed that the Manager and Accountant would review the "Advisory Comments and Suggestions" in the "Report to Governance" and discuss same at the July, 2010 Board meeting.

Consent Matters:

Chairman MacDonald identified the items to be considered under "Consent Matters" and asked if any Director wished to pull any item for discussion. There being no questions or discussion, Director Kirkpatrick MOVED to approve the consent matters, consisting of:

1. Minutes April 13, 2010 - Regular Meeting
2. Minutes May 11, 2010 - Regular Meeting
3. W10-06 (A) Investments - May, 2010
4. W10-06 (B) Financials - May, 2010
5. W10-06 (C) Improvements Agreements: None.

Director Herbolich SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Engineering and Capital Projects:

Engineering Project Status (10-05A):

District Manager Tinsley provided a brief status report on the following: None.

Engineering Team Report

Attention was directed to the Engineering Team Report in the packet. Upon question from Director MacDonald, Manager Tinsley discussed the drainage improvements proposed by the Southeast Metro Drainage Authority upon the District headquarters property.

Administrative:

Administrative Project Status (10-05B):

District Manager Tinsley provided a brief status report on the following:

- Asset Management - Staff and Woolpert have concluded review of asset rating criteria and are now in review of the Geographic Information System data.
- Workforce Project - The project consultant has completed work on the grant contract, partnership contracts, formation of an Advisory Council, coordination with Boulder Valley Sanitation District in the development of curriculum proposals for presentation

to the school districts, development of a project website for “Get Into Water” <http://www.getintowaterco.org>, coordination with AWWA regarding their “Career Center” website <http://apps.awwa.org/ebusmain/Default.aspx?tabid=247> and “Work For Water” website

<http://www.awwa.org/Resources/WorkForWater.cfm?ItemNumber=51771&navItemNumber=51768>, and coordination with the Colorado Workforce Center regarding use of their “Connecting Colorado” website <http://www.connectingcolorado.com>. At the May 12th Industry Advisory Council Meeting: 1) there was discussion of plans to have project participation at the September 9th E3 Career Fair at the Denver Convention Center and at the September RMSAWWA/RMWEA conference in Keystone, and 2) formation of work groups (Training and Recruitment, Human Resource/Operations, Knowledge Retention, and SCADA). The work groups have commenced their efforts in each area according to the approved work plan. Director MacDonald expressed concern regarding the scale of the project and the slow progress that will result.

- Emergency Reserve Expenditure - In response to Board inquiry, Manager Tinsley reported that the \$6,000 expenditure from the Emergency Reserve line item was for installation of a second 9E to 10E check valve in the vicinity of the Sky Ridge Medical Center to strengthen delivery of water delivery in the event of a pressure zone 10E failure.
- Accounting Software - The District has a service contract with the accounting software vendor for user support and for software updates. The latest update is in hand, but installation was delayed so as to avoid problems or conflicts during the audit/year end closeout process. Now that such process is complete the installation will proceed.
- Website Statistics - Copy of key statistics was delivered and discussed. It was evident that the website is well and consistently used, particularly during the recent election. It was agreed that quarterly reports would be delivered in the future.

Cash Receipts and Expenditures (10-06-D):

The Board reviewed and discussed the cash receipts and expenditures for May, 2010. Director Kirkpatrick MOVED to approve the expenditures in the amount of \$111,663.92 as set forth in the disbursement schedule attached hereto. Director Winslow SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

Election (09-26)

Manager Tinsley reported that there were 58,000 registered electors (water and sanitation combined) of which 35,700 were on the lists as “permanent mail-in voters”. 35,700 MIV Ballots were mailed. 5,800, MIV Ballots were returned and counted. 54 ballots were cast at the polling places. There was strong voter response for all four candidates.

The hard costs (water and sanitation combined) were \$62,135; and the soft costs were estimated to be \$20,000. That represents approximately \$14 per ballot voted.

He then reminded the Board that Director Herbolich spoke with Special Districts Association representatives prior to the election; and that follow up discussion was targeted for the time following the election and prior to the September SDA conference.

Manager Tinsley suggested: 1) follow up call in June to SDA, 2) Manager discussion with the Arapahoe and Douglas County clerks by the end of June (ask if they would be willing to conduct a coordinated mail ballot election in 2012; and if not, what assistance can be offered), 3) review with the Directors at the July meeting, and 4) determination at that time of further actions as may be necessary.

The Directors concurred.

Recess:

Director Herbolich MOVED to recess at 5:45 p.m. Director Kirkpatrick SECONDED the motion. Upon a call of the vote, all Directors present voted "AYE", and the motion was declared UNANIMOUSLY PASSED.

The meeting was reconvened at 6:19 p.m.

2010 Ballot Issues (10-10)

Manager Tinsley reported that three significant ballot matters - Proposition 101, Amendment 60 and Amendment 61 - have been certified for elector consideration in November, 2010. He directed the Board's attention to copy of the Proposition and Amendment language and copy of Legal Counsel's analysis in the Board packet. He briefly discussed the various aspects of the Proposition and Amendments and the extent to which Southgate would be immediately, (or in the future), impacted. Lastly, he delivered copy of a model resolution proposed by the Special Districts Association.

Following discussion, it was the consensus of the Board that Legal Counsel and Manager prepare a resolution for consideration at the July Board meeting.

Administrative - Special Reports:

The Board's attention was directed to the Manager's report in the packet with particular attention to the better than expected tap sales. In response to a question from Director MacDonald, Manager Tinsley reported that the Greenwood Plaza inclusion is complete and the required deposits have been received by Southgate. The Southgate engineering group is now working with Greenwood Plaza representatives regarding the conversion of customers from GWP to SGWD. In response to a question from Director MacDonald, Manager Tinsley reported that Denver Water has not yet communicated readiness to implement the proposed service charge.

Legal - Special Reports: None.

Finance - Special Reports: None.

Board:

Directors - Special Reports: None.

Training:

There was review of upcoming training opportunities, scheduled attendance, and record of expressions of attendance.

Adjournment:

There being no further business to come before the Board of Directors, Director Kirkpatrick MOVED to adjourn the meeting. Director Bickham SECONDED the motion. By UNANIMOUS vote the meeting was adjourned at 6:47 p.m.

Director

President & Chairman

Director

Director

Director