

Apple Springs Sanitary District Meeting Minutes and Follow Up

Feb, 10 2026 9:00 am Mountain Time

Location: Dan's House

Invitees: Dan Carlson, Chris Vinich, John Miller

1. **2025 Financials**

Dan presented 2025 Finances. 2025 ending balance of \$91,865.24.

Year End numbers approved.

2. **Bank Provider**

Dan made a motion to change our banker to First Interstate due to online difficulties with current banker.

It was approved to switch banks. John and Dan will work together to transfer accounts with John Miller (Treasurer) and Dan Carlson (President)

District approved to set aside a \$50K reserve in a separate interest-bearing savings account for emergency purposes. The existing operating reserve of \$40K is well over a year's worth of reserve. The projected 2026 expenses and income are well defined with little to no risk.

3. **2026 Payable Status**

Internet – Dan working on switching to StarLink – Actually running as of 2/25/26

WWTP Operating Ex (ATAC) – Auto Payments being made

WWTP Electric – Auto Payments being made

WWTP Natural Gas – Auto Payments being made

Note: The reason the District agreed with H2O Clear to start paying some of the WWTP expenses in first half of 2025 was to gain a financial history/credit history for the potential of a loan later. Financial Institutions wanted some proven history before granting loan. Only the WWTP was being supported by the District because of H2O Clear's vision of the H2O System being able to sell water commercially. The District did not want to be involved in purchasing this operation and H2O Clear agreed previously.

4. **2026 Election (Chris's Vacancy)**

We will need to hold election for Chris's position

5. **District Outlook**

District discussed what we think our future is since we did not get the grant. Should we Dissolve or Continue as supporting the H2O Clear WWTP.

a. **Dissolution Options**

34A-5-53. Dissolution of district on voters' petition.

A majority of the qualified voters of an incorporated sanitary district may petition a court of competent jurisdiction for the dissolution of the sanitary district. Dissolution proceedings shall, when not in conflict with this chapter, conform to the provisions for dissolution of municipalities pursuant to chapter [9-6](#).

34A-5-54. Dissolution of district by directors' resolution on annexation to municipality-- Notice and hearing--Appeal.

Notwithstanding the provisions of § [34A-5-53](#), the board of trustees of an incorporated sanitary district, the entire boundaries of which have been annexed to a municipality, may by unanimously adopting a proper resolution, provide for the dissolution of the sanitary district and the disposition of all unencumbered assets and assets which may thereafter accrue. Prior to adopting such resolution, the board shall give notice and conduct hearings as it deems necessary. Any party feeling aggrieved by the decision of the board may appeal pursuant to the provisions of § [34A-5-44](#).

34A-5-44. Appeal to circuit court from denial of annexation or exclusion of territory-- Notice, hearing and order of court.

Upon failure of the board of trustees to grant the request contained in the petition of the voters, the petitioners or any party feeling aggrieved thereby may within thirty days after the decision of the board of trustees or county commissioners, or within ninety days after the filing of the petition if no action has been taken on the petition by the board, present their petition or appeal to the circuit court for the county in which the district or the greater portion of the district is situated by filing the petition or appeal with the clerk of courts. Notice of the filing shall be served by the petitioners upon the president of the board of trustees together with a notice of the time and place, when and where a hearing will be held on the petition, at least ten days before the date of the hearing. If the court finds that the request of the petitioners ought to be granted and can be granted without injustice to the district, the court shall so order. If the court finds against the petitioners, the petition or appeal shall be dismissed at the cost of the petitioners.

b. **Continue supporting taxation to support Operating Expenses**

Operating Expenses Already Covered by District

- Internet – Covered Already
- Natural Gas – Covered Already
- Electricity – Covered Already
- Operating Support Expense (Non Engineer) – Covered Already

Potential Operating Expenses (Estimated in 2026 Dollars)

- Chemicals - \$7000
- Sewer Pumping - \$5000
- Lab Fees - \$6500
- Testing Services \$13,000
- Maintenance Repair (Excluding Purchase of Assets) \$10,000
- Postage - \$50
- Billing Services - \$4000

- Total = 45,550

At a 10% Increase in budget per year it will take approximately 9 years to cover the above expenses. With a 10% growth rate there should be no increase in mil rates to cover these costs.

The board discussed the financial support of the District via 4 Bears in the Hills and associated partnerships via taxes. They historically have paid a significant amount, but that percentage and amount is dropping as they sell properties and other owners build their homes. Below is a rough estimate of taxes paid to the District in 2027 via 2026 Lawrence County Real Estate Taxes receipt.

Owner	# of Lots	Ave Value	Mil Rate	Taxes
4 Bears in the Hills	56	\$ 125,000	0.433	\$ 3,031
Kota Development	5	\$ 150,000	0.433	\$ 325
Black Hills Investment	3	\$ 150,000	0.433	\$ 195
Total Taxes			Total Taxes	\$ 3,551
			2026 Budget	\$ 35,906
			% of Budget	9.9%

Based on the information discussed the board agreed to continue as is summarized below.

- a. Provides a long-term vision/history to potentially take over the WWTP as a Non Profit Environmental Entity in the state of South Dakota
- b. Provides a potential way of all lot owners sharing the tax-deductible benefits of paying for WWTP plant expenses through taxation vs paying fees/assessments to H2O Clear.
- c. All lot owners share in the benefits of good home/land values of WWTP
- d. Ultimately as the Declarant sells platted properties and homes are built its tax base will be reduced.
- e. If future 4 Bears in the Hills expansion the District supports lots greater than 2.0 acres in size to be constructed allowing septic tanks. District has already received email support from the SD DANR Wastewater engineer. This is consistent with multiple subdivisions in the county and meets the Lawrence County Ordinances requirements. This allows for much less investment costs in expansion infrastructure and WWTP capacity improvements.
- f. District provides oversight to H2O Clear Solutions and helps prevent future DANR and SD law infractions.

6. Well 2 Update

Via email Mike shared that Well #2 is now operational. Well #1 experienced large expenses to repair in 4Q 2025.

The board discussed the positive of having a redundant well but was also concerned about the cost impact to the current users. The board feels the main beneficiary is 4 Bears in the Hills LLC due to H2O Clear having extra capacity such that 4 Bears in the Hills LLC can expand their development and nearby Hidden Pines development paying H2O Clear. A small benefit of the grading/driveway effort was for 4 Bears in the Hills to provide access to their BCGC seasonal housing rental units

As per the H2O Clear/Hidden Pines agreement signed by both parties and submitted to Lawrence County officials Hidden Pines committed \$72,000 (12 lots x \$6000 each) in taps fees and \$25,000 for grading benefits. H2O Clear had also committed to the District to leverage the sale of the DropBox to the City of Hermosa for the new well.

Based on the above information the District disagrees with only the 90+ current water/sewer users sharing the increase in water rates due to the 2nd well. At a minimum all 200+ lots within the District should share that burden. All lots are benefiting from the value of their home/lot due to the infrastructure.

Follow Up

The City of Sturgis, SD charges a monthly \$17 Water **Availability Fee** and a monthly \$18 Sewer **Availability Fee** for homes/businesses disconnected to the utility. This is to support the maintenance of the system(s). This is benchmark to show how other water/sewer utility providers are fairly distributing costs of operating expenses and investment costs in the Black Hills area. The Availability Fee is dropped immediately after being connected to system(s).

7. Water Loss Metering Requirements

In 2025 the H2O Clear Solutions was informed by the DANR of the Water Loss Metering requirements. This requirement was originally confirmed by 2 separate discussions with the DANR/District that the metering was for looking for water losses and proper use of our natural resources. It is not required for billing. The District, due to their local presence, has been working with Sam’s Repair to track, complete, and plan for water meter installations. Great progress has been made as 20+ homes now have functional meter installations that were not working prior to this effort. We plan to continue to support these efforts.

Follow Up

Recently the District submitted a flowmeter tracking spreadsheet to ATAC (Hired Consulted) showing 63 flowmeters working and approximately 34 more existing users to hook up. A large number can be resolved by installing meters in the 6-unit condo and Wood Builder homes previously constructed. ATAC also confirmed it was for water loss management. Variable billing or fixed billing can be evaluated later.

8. Community Water Supply Planning Manual

In 2025 H2O Clears was informed by the requirement of the 2007 SD New Water System Planning Manual. This document has been available since 2007. The District was aware of it in 2024 in our research and EPA Climate Change Grant for the expanded WWTP. The grant approvers were asking about our business plan and how to support going forward. This was a weakness in our original submission. Because of the size limit of the grant application a detailed plan could not be included. Why this was not completed for original water system including expansion is unknown. One of the requirements on this plan is apparently a minimum \$150,000 reserve requirement.

Reserve Requirement

H2O Clear Solutions has requested our involvement in developing this reserve. The board agreed that we should respond to H2O Clear’s request with the initial proposal to assess only users to help cover this requirement. The District left in the hands of H2O Clear Solutions to schedule meetings for more discussions.

The District is proposing to leverage \$50 K in our current reserves to support this effort as mentioned earlier in line item #2.

Since this expansion will be benefiting 4 Bears in the Hills and associated partners to expand the community water system for future development 4 Bears in the Hills should be that burden. This should not be burdened to only the existing users and should be allocated to all benefactors.

Written By: *Dan Carlson*

Approved By: *Jahn Miller* 2/15/26

Chris Vinich 3/02/26