



May 16, 2018

Dear Shareholder:

Thank you for taking time this afternoon to attend the San Miguelito Mutual Water Company Annual Shareholder Meeting. We appreciate the interest you have shown in our water company.

Many hours of preparation have gone into today's meeting. We hope the information presented will provide you with a clear picture of the Company's operations. There will be a question and answer session after the reports.

Please take a moment to review the meeting packet; most particularly the minutes from last year's meeting.

Sincerely,

San Miguelito Mutual Water Company

Board of Directors and Staff

San Miguelito Mutual Water Company

Annual Meeting

May 16, 2018, 2:00 p.m.
Registration begins at 1:30 p.m.

San Miguelito Mutual Water Company Office

Agenda

Registration of Shares – 1:30 to 2:00	Michelle Edson, Luz Santos, Admin Staff
Pledge of Allegiance	John Delehant, President
Minutes of Last Meeting	Gerri Hall, Secretary
President’s Remarks	John Delehant, President
Nomination of Directors	John Delehant, President
Election of Directors	John Delehant, President
Financial Report	Rick Koon, General Manager
Manager’s Report	Rick Koon, General Manager
Capital Projects Review	Rick Koon, General Manager
Questions and Answers Management	Board of Directors, Consultants and
Election Results	Gerri Hall, Secretary
Adjourn	John Delehant, President

Board of Directors

May 16, 2018

OFFICE HELD	NAME	EXPIRATION OF TERM
President	John Delehant	May, 2021
Vice President	Ben Banks	May, 2019
Secretary	Gerri Hall	May 2019
Director	To be elected	May, 2021
Director	Martin Suits	May, 2021
Director	Robin L. Rossi	May, 2021
Director	Rick Koon	May, 2019

SAN MIGUELITO MUTUAL WATER COMPANY
SHAREHOLDERS LIST
AS OF 05/15/2018

PELICAN POINT RESIDENTS	117 SHARES
INDIAN HILL RESIDENTS	162 SHARES
SAN LUIS BAY MOBILE ESTATES	2 SHARES
PACHO LTD. PARTNERSHIP	4 SHARES
SAN LUIS BAY INN TIMESHARE (SAN LUIS BAY INN)	144 SHARES
SILVER OAKS ESTATES RESIDENTS	6 SHARES
KINGFISHER DEVELOPMENT	12 SHARES
BDC/AVILA LAND INVESTMENT LLC	17 SHARES
KINGFISHER RESIDENTS	101 SHARES
CDF-FIRESTATION #13	1 SHARE
SKYLARK MEADOW RESIDENTS	65 SHARES
HERON CREST RESIDENTS	66 SHARES
HERON CREST/QUAIL CANYON RESIDENTS	22 SHARES
MALLARD GREEN RESIDENTS	53 SHARES
SCM AVILA BEACH PARTNERS LLC	51 SHARES
ROBIN L. ROSSI (GOLF COURSE)	141 SHARES
ROBIN L. ROSSI TRUST	3 SHARES
AVILA VILLAGE II LLC	6 SHARES
OUAT/LEXINGTON REAL PROP PTNRS LLC	30 SHARES
ROBIN L. ROSSI (East & West Harford & TR 2149 L 279)	3 SHARES
OUAT/COVELOP HOLDINGS, LLC	14 SHARES
AVILA BAY ATHLETIC CLUB (AVILA VILLAGE)	3 SHARES
AVILA VALLEY ORCHARDS RESIDENTS	14 SHARES
COVELOP	1 SHARE
SMMWC	2 SHARES
MADDEN CUMBERLAND ADAMSKI	1 SHARE
TOTAL SHARES IN SMMWC	1041 SHARES

SAN MIGUELITO MUTUAL WATER COMPANY

Annual Shareholder Meeting
Minutes

2:00 PM Wednesday, May 17, 2017

SMMWC Office, 1561 Sparrow Street
San Luis Obispo, CA

REGISTRATION OF SHAREHOLDERS

Each Shareholder was asked to sign in and was provided with copies of the Agenda, List of Directors, Shareholder List, May 18, 2016 Minutes, 2016 Reviewed Financial Statements, 2017 Budget, 2017 Rate Schedule, Manager's Report, Operations Report.

PRESENT

Directors:	John Delehant, Tom Athey, Gerri Hall, Rick Koon, Rob Rossi,
Staff:	Michelle Edson, Accounting & Administrative Manager
Absent:	Ben Banks and Vic Montgomery
Legal Counsel:	Tim Carmel, Carmel & Naccasha LLP
Shareholders:	Sherri Danoff, John Dunn, Rita Hoffman, Bob Leone, Martin Suits, Andrew Winterbottom, Judi Belanger, Dennis Wheeler, Art Jacqmin, Kay Washburn, Sharon Smith, William Smith, Pat Arnold
Guest:	None

PLEDGE OF ALLEGIANCE & PRESIDENT'S REMARKS

President Delehant opened the meeting at 2:00 p.m. with the pledge of allegiance, welcomed the shareholders in attendance and introduced the Board of Directors, staff and consultants present.

President Delehant asked if there was a quorum.

The San Miguelito Mutual Water Company Bylaws state: *"The presence in person or by proxy of twenty percent (20%) of the shareholders shall constitute a quorum for the transaction of business at any meeting of shareholders."*

Michelle confirmed there were a sufficient percentage of the shares represented and a quorum was declared. (See representation detail attached.)

MINUTES OF LAST MEETING

President Delehant asked the shareholders to review the minutes of the last meeting. There was a motion made by Rob Rossi, seconded by Tom Athey to accept the minutes of the May 18, 2016 meeting as written. Motion passed 5 - 0.

NOMINATION & ELECTION OF OFFICERS

President Delehant announced there were four vacancies on the Board this year. Incumbents John Delehant, Vic Montgomery, Tom Athey and Rob Rossi have expressed interest in running again. We also had a new Candidate interested in running, Martin Suits, his name was added to the ballot. President Delehant asked if there were any additional nominations from the floor. Hearing none, the nominations were closed. Ballots were collected to be counted and elections were closed.

The voting committee was excused to count the votes. Gerri Hall, BOD Member, Michelle Edson, Accounting and Administrative Manager and Shareholder, Sharon Smith opened and counted the ballots.

FINANCIAL REPORT

Financial Officer Tom Athey presented the San Miguelito Mutual Water Company 2016 Financial Statements, as prepared by the accounting firm of Moss, Levy & Hartzheim LLP.

MANAGER'S REPORT, OPERATIONS REPORT, 2016 and 2017 CAPITAL PROJECTS REVIEW

General Manager, Rick Koon, presented the reports as follows:

General Managers Report –

- Total water connections are 673 and total number of shares is 1041.
- Water production for 2016 was 153-acre feet. Of that, 76% or 117-acre feet was delivered by state water project; the remaining 24% came from our three wells.
- Total wastewater production for 2016 was 82-acre feet.

Operations Report –

- In 2016 the water system experienced no leaks in the distribution system. We flushed our water mains and exercised the water valves
- The wastewater system had few problems in 2016. We had some minor blockages due to tree root intrusion. Staff continues to proactively remove tree roots from our sewer lines and manholes.
- For our 2017 system maintenance we continue to replace out older controls and level indicator systems for both tanks and lift stations.
- We are repainting tanks 100 and 200 and replacing the sight gauge.
- We had to replace the waterline crossing at lift station #3. The winter storms caused an oak tree to fall and break the pipe bridge crossing.
- We drain and pump each one of our lift stations down on a monthly schedule or when necessary, to eliminate problems with pumps or controls.
- Capital Projects for 2017 include continued replacement of our control equipment; installation of control equipment for the telemetry system at our wastewater treatment plant; installing of control equipment for the telemetry system at lift stations #3 and tanks 100/200; releveling the effluent line at the wastewater treatment plant; investigate new water well locations for a new water supply well; Look at possibility of reclaimed water for irrigation.

Presentation -

- Pictures were shown of the various repairs completed in 2016.

ELECTION RESULTS

Board Secretary Gerri Hall announced the results of the election of directors. John Delehant, Tom Athey, Rob Rossi and Martin Suits received the greatest number of votes and have been elected, by the shareholders, to serve as directors for a four-year term ending in May 2021.

ADJOURNMENT

The meeting was adjourned at 3:02 p.m.

Proceedings recorded by:

Michelle Edson, Accounting & Administrative Manager

Respectfully Submitted,

Approved:

Gerri Hall, Secretary

John Delehant, President

ANNUAL SHAREHOLDERS MEETING

May 17, 2017

SHARE REPRESENTATION

1041 Total Shares – 20% Necessary for Quorum 209 Shares

Rob Rossi – Cottage, Golf, E. Hartford, AVLLC	196 shares
Tom Athey	1 share
Rick Koon – KFD & KFCI Proxies	31 Shares
Gerri Hall – 1 plus 7 Res. Proxy	8 shares
John Delehant – 1 plus 1 Proxy	2 shares
Ben Banks – SLBI Proxy	144 shares
Residents in Attendance – 13	26 shares
Ballots by Mail - 246	251 shares
TOTAL SHARES REPRESENTED	659 shares

SHAREHOLDERS ELECTED – BY BALLOT

John Delehant	4-year term
Tom Athey	4-year term
Rob Rossi	4-year term
Martin Suits	4-year term

San Miguelito Mutual Water Company

Reviewed Financial Statements

December 31, 2017

San Miguelito Mutual Water Company

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Stockholders
San Miguelito Mutual Water Company
Avila Beach, CA 93424

We have reviewed the accompanying balance sheet of San Miguelito Mutual Water Company as of December 31, 2017, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Moss, Levy & Hartzheim LLP

Santa Maria, California
May 3, 2018

San Miguelito Mutual Water Company

Balance Sheet

December 31, 2017

Assets

Current assets

Cash and cash equivalents (Note 1)	\$ 512,292
Accounts receivable (Note 1)	67,834
Deposits	448
Prepaid expenses	2,087

Total current assets	<u>582,661</u>
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Property and equipment (Note 4)	10,922,968
Less accumulated depreciation	<u>(4,549,089)</u>

Net property and equipment	<u>6,373,879</u>
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Other assets

Capital and state water reserves (Note 3)	2,111,053
Reimbursable projects, restricted cash (Note 3)	11,285
Local water rights (Note 1)	<u>238,030</u>

Total other assets	<u>2,360,368</u>
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Total assets	<u><u>\$ 9,316,908</u></u>
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Liabilities and stockholders' equity

Current liabilities

Accounts payable	\$ 47,109
Payroll liabilities	<u>48,583</u>

Total current liabilities	<u>95,692</u>
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Other liabilities

Reimbursable projects (Note 1)	<u>11,285</u>
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Total liabilities	<u>106,977</u>
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Stockholders' equity

Common stock, no par value, 10,000 shares authorized	
1,041 shares issued and outstanding	677,383
Additional paid in capital (Note 6)	9,627,442
Retained earnings	
Unreserved	<u>(1,094,894)</u>

Total stockholders' equity	<u>9,209,931</u>
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Total liabilities and stockholders' equity	<u><u>\$ 9,316,908</u></u>
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See accompanying notes and independent accountants' review report.

San Miguelito Mutual Water Company
Statement of Income
For the Year Ended December 31, 2017

Revenue		
Water and sewer usage fees		\$ 1,644,236
New service fees		2,205
Late and other administrative fees		31,614
Contract services		16,700
Building rent		21,600
Sewer facilities rent		45,420
Miscellaneous		5,000
State water payment, stockholders with undeveloped property		48,236
	Total revenue	<u>1,815,011</u>
Operating expenses		
State water		284,382
Personnel costs		241,834
Consulting		68,959
Depreciation (Note 4)		352,482
Lab tests		18,970
Other programs		3,812
Repairs and maintenance		121,341
Supplies		19,386
Training, education, health and safety		6,405
Telephone and communications		5,209
Uniforms		5,123
Utilities		73,363
Vehicles		17,276
	Total operating expenses	<u>1,218,542</u>
General and administrative expenses		
Accounting and legal		42,376
Bank fees		5,122
Consulting		46,184
Insurance		18,686
Licenses, fees and dues		21,891
Miscellaneous		1,793
Office supplies and equipment		16,180
Personnel costs		84,034
Property taxes		7,738
Rent		21,600
Repairs and maintenance		6,038
Telephone and internet		4,064
Utilities		2,644
	Total general and administrative expenses	<u>278,350</u>
	Total expenses	<u>1,496,892</u>
	Profit from operations	<u>318,119</u>
Other income (expense)		
Interest		13,606
	Total other income (expense)	<u>13,606</u>
	Profit before income taxes	331,725
Provision for income taxes, current (Notes 1 and 5)		(800)
Net	Net profit	<u>\$ 330,925</u>

See accompanying notes and independent accountants' review report.

San Miguelito Mutual Water Company
Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2017

	Common Stock		Additional	Retained	
	Shares	Cost	Paid-in	Earnings	Total
			Capital	(Deficit)	
Balance, December 31, 2016	1,041	\$ 677,383	\$ 9,627,442	\$ (1,425,819)	\$ 8,879,006
Net income				330,925	330,925
Balance, December 31, 2017	<u>1,041</u>	<u>\$ 677,383</u>	<u>\$ 9,627,442</u>	<u>\$ (1,094,894)</u>	<u>\$ 9,209,931</u>

See accompanying notes and independent accountants' review report.

San Miguelito Mutual Water Company
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities:	
Net profit	\$ 330,925
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	352,482
Earnings (loss) in investments	(11,732)
(Increase) decrease in:	
Accounts receivable	(5,293)
Prepaid expenses	849
Increase (decrease) in:	
Accounts payable	12,112
Payroll liabilities	3,699
Net cash provided by operating activities	<u>683,042</u>
Cash flows from investing activities:	
Purchases of property and equipment	(268,605)
Purchases of investments	<u>(391,256)</u>
Net cash used by investing activities	<u>(659,861)</u>
Net increase in cash and cash equivalents	23,181
Cash and cash equivalents at beginning of year	<u>489,111</u>
Cash and cash equivalents at end of year	<u><u>\$ 512,292</u></u>
Supplementary cash flow information:	
Cash paid for state taxes	<u><u>\$ 800</u></u>

See accompanying notes and independent accountants' review report.

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations

San Miguelito Mutual Water Company (SMMWC) is a California corporation established to acquire and hold water and water rights, and to maintain water works and distribution facilities for the purpose of furnishing and distributing water for domestic and irrigation purposes to its stockholders, at cost; including the use of the water works and distribution facilities for the purpose of conserving, treating and reclaiming water; and providing sewage treatment services to its stockholders, at cost.

Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other accruals.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

SMMWC recognizes its revenues, including water and sewer utility fees, rentals, and interest, when earned on accrual basis of accounting.

Income Taxes

Income taxes are provided for the tax effect of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The deferred tax assets and liabilities represent the future tax return consequences of those differences, that will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Income Taxes Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification requires, among other things, the recognition and measurement of tax positions based on a "more likely than not" (likelihood greater than 50% approach). As of December 31, 2017, the SMMWC did not maintain any tax positions that did not meet the "more likely than not" threshold and, accordingly, all tax positions have been fully recorded in the provision for income taxes. SMMWC's policy is to consistently classify interest and penalties associated with income taxes separately from the provision for income taxes, accordingly, no interest or penalties associated with income taxes have been included in the provision for income taxes. SMMWC does not expect any material changes through December 31, 2017. Although SMMWC does not maintain any uncertain tax positions, tax returns remain subject to examination by the Internal Revenue Service for years ended on or after December 31, 2014, and by the California Franchise Tax Board for the years ended on or after December 31, 2013.

Comprehensive Income

There are currently no differences between net income or loss, and comprehensive income or loss.

Cash and Cash Equivalents

Cash and cash equivalents consist of a non-interest bearing checking account, and an interest bearing savings account that are used for operations. Reimbursable projects, restricted cash, and working capital reserves invested in certificates of deposit are not considered cash equivalents since these amounts are restricted in use.

Accounts Receivable

Receivables are accounted for on the accrual basis and become past due after 30 days. No allowance for uncollectable accounts has been provided, as SMMWC typically collects all outstanding amounts. Receivables are written off if all efforts at collection have failed and management determines that collection is unlikely. At December 31, 2017, accounts receivable totaled \$67,834, consisting of \$62,387 owed for December utility bills and the state water receivable of \$5,447.

Note 1 - Nature of Operations and Significant Accounting Policies (continued)

Water Rights

Local water rights are recorded at cost, and do not reflect fair value. SMMWC is the grantee of water rights. Local water is a renewable asset; therefore local water rights are not amortized.

Property, Plant and Equipment

Expenditures for property and equipment in excess of \$5,000 are capitalized and recorded at cost. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the year of disposal.

Reimbursable Projects

Reimbursable projects are water or sewer utility projects or research, governed by contract agreements, completed by SMMWC and reimbursed by the contracting entity. Funds for reimbursable projects are held in a separate bank account restricted for this purpose, and are offset by a reimbursable projects liability on the accompanying balance sheet. At December 31, 2017, SMMWC has reimbursable contract agreements with San Luis Bay Inn Timeshares, Inc.

Subsequent Events

Subsequent events have been evaluated through May 3, 2018, which was the date the financial statements were available to be issued.

Note 2 - Concentrations of Risk

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. SMMWC deposits its cash with high quality financial institutions, and management believes SMMWC is not exposed to significant credit risk on those amounts. At December 31, 2017, SMMWC had \$1,103,192 in excess of depository insurance limits.

SMMWC's income is generated from consumers who are also stockholders of the Company. Accordingly, concentrations of sales or receivables are expected.

Note 3 - Restricted Cash

SMMWC has multiple restricted cash accounts, consisting of capital and working capital reserves totaling \$2,122,338. Included in this amount is \$2,111,053 for repair and replacement of fixed assets, and \$11,285 for reimbursable projects, at December 31, 2017.

Note 4 - Property and Equipment

Depreciation expense totaled \$352,482 for the year ended December 31, 2017. Property and equipment consisted of the following at December 31, 2017:

	Estimated Useful Lives in Years	2016	Additions	Disposals	2017
Water and sewage distribution	15-45	\$ 8,756,721	\$ 268,605	\$ -	\$ 9,025,326
State water construction	39	836,072			836,072
Building	39	619,203			619,203
Vehicles	5-7	102,064			102,064
Office equipment	3-7	79,455			79,455
Land, Lot 17		130,424			130,424
Land, Lot 67		130,424			130,424
Property, plant and equipment at cost		10,654,363	268,605		10,922,968
Accumulated depreciation		(4,196,607)	(352,482)		(4,549,089)
Net property and equipment		<u>\$ 6,457,756</u>	<u>\$ (83,877)</u>	<u>\$ -</u>	<u>\$ 6,373,879</u>

Note 5 - Line of Credit

SMMWC has a \$350,000 business revolving line of credit with Wells Fargo Bank that matures on July 15, 2018 and is secured by SMMWC's certificates of deposit, and bears an interest rate of prime plus .5%, or 5% minimum on borrowed funds. There was no activity for the line of credit in 2017 and had no outstanding principal balance on December 31, 2017.

Note 6 - Deferred Income Taxes

SMMWC uses accounting methods that recognize depreciation sooner for income tax reporting than for financial statement reporting, resulting in a valuation difference that would normally create a deferred income tax liability. SMMWC has also accrued both federal and state income tax net operating losses, over the past ten years, which would normally create a deferred income tax asset. The deferred income tax asset created by SMMWC's net operating losses exceeds the deferred income tax liability created by SMMWC's depreciation expense differences. A net deferred income tax asset totaling \$445,580 was calculated for the year ended December 31, 2017. Since SMMWC does not expect to utilize this deferred tax asset in the foreseeable future a valuation allowance totaling (\$445,580) that offsets the deferred tax asset was recorded, for net deferred taxes of zero at December 31, 2017. The net change in the net deferred tax asset and valuation allowance totaled \$(49,639) for the year ended December 31, 2017.

SMMWC is subject to state income tax at 8.84% of taxable income, or \$800, whichever is greater. The provision for state income tax for the year ended December 31, 2017 was \$800.

Note 7 - Contributed Capital

SMMWC charges a monthly special assessment to all stockholders for the repair and replacement of property and equipment. This amount is recorded as additional paid in capital on the accompanying balance sheet, and totaled \$9,627,442, for the year ended December 31, 2017.

Note 8 - Commitments and Contingencies

SMMWC entered into agreements with San Luis Obispo County Flood Control and Water Conservation District, and the Central Coast Water Authority to bring state and local water to the area serviced by SMMWC in exchange for payment of SMMWC's pro rata portion of the state's water construction costs based on the annual amount of water requested, and its pro-rata share of ongoing operating and maintenance costs of the state water system. State water construction costs including capitalized interest and other fees totaled \$836,072, at December 31, 2017. See Note 4.

Note 9 - Retirement Plan

SMMWC offers an individual retirement account (IRA) retirement plan to its employees who work thirty or more hours each week, and have completed ninety days of employment. SMMWC contributes an amount equal to three percent of all eligible employees' pre-tax wages each month. Participating employees are enrolled in the plan after six months of continuous employment, when all accrued retirement funds are placed in the plan trust. Retirement plan expense for the year ended December 31, 2017 totaled \$7,033.

Note 10 - Rent

Monthly transfers of \$1,800, or \$21,600 annually, are transferred from operations to capital reserves for use of the building. The amounts are recorded as building rent revenue and rent expense in the accompanying statement of income.

San Miguelito Mutual Water Company
Operational Earnings Report
Approved - 2018 Budget

Water

	2017 Budget	2017 Actuals	2018 Budget
Water Revenue (w/o capital)	\$727,571	\$809,537	\$749,698
Residential	\$372,920	\$404,292	\$374,569
Commerical	\$165,377	\$165,972	\$172,130
Irrigation	\$141,925	\$191,037	\$153,925
State Water (undeveloped shares)	\$47,349	\$48,236	\$49,074
 Water Expenses	 (\$707,950)	 (\$682,838)	 (\$748,350)
State Water	(\$311,800)	(\$285,587)	(\$319,600)
Operating Expense	(\$213,200)	(\$221,807)	(\$239,100)
Gen Admin Expense (50%)	(\$182,950)	(\$175,444)	(\$189,650)
Net Water Operational Earnings	\$19,621	\$126,699	\$1,348

2018	Capital Fee \$
Water	\$222,456
Sewer	\$248,377
Total	\$470,833

Wastewater

	2017 Budget	2017 Est. Actuals	2018 Budget
Wastewater Revenue (w/o capital)	\$422,434	\$423,582	\$440,862
Residential	\$290,604	\$283,070	\$299,206
Commerical	\$124,360	\$127,252	\$133,964
Contract Customers	\$7,470	\$13,260	\$7,692
 Wastewater Expenses	 (\$433,350)	 (\$404,088)	 (\$438,250)
Operating Expense	(\$250,400)	(\$228,644)	(\$248,600)
Gen Admin Expense (50%)	(\$182,950)	(\$175,444)	(\$189,650)
Net Wastewater Operational Earnings	(\$10,916)	\$19,494	\$2,612

SMMWC Overall Operating Earnings	\$8,705	\$146,193	\$3,960
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2017 YE	State Water Reserve	Capital Reserves	Resource Reserves
Estimate	\$310,000	\$240,841	

San Miguelito Mutual Water Company
Draft - 2018 State Water Budget

State Water Reserves as of Dec 31, 2017	\$300,000	EST. Jan 2018 payment \$160,725.
State Water Reserves as of Dec 31, 2018	\$282,600	
Min Target	\$180,000	

	2017 Budget	2017 Est Actuals	2018 Budget
Money Transferred to State Water Reserve Fund (221.93 AF/2017 80.70 %)	\$264,451	\$264,451	\$270,526
Developer State Water Reimbursement (53.07 AF/2017 19.30%)	\$47,349	\$48,236	\$49,074
Investment Income, Late Fees, and Interest Income from SWR	\$3,000	\$3,000	\$3,000
	<u>\$314,800</u>	<u>\$315,687</u>	<u>\$322,600</u>
CONTRIBUTIONS to State Water Reserve			
DWR Charges for State Water - (275 AF)	(\$211,800)	(\$215,555)	(\$238,500)
DWR Charges for State Water Drought Buffer	(\$30,000)	(\$31,010)	(\$32,000)
CCWA(O&M Wheeling-State Water Aqueduct to Lopez)	(\$37,000)	(\$9,483)	(\$36,500)
SLOFCWCD (O&M, Wheeling - Lopez to SMMWC)	(\$33,000)	(\$33,000)	(\$33,000)
	<u>(\$311,800)</u>	<u>(\$289,048)</u>	<u>(\$340,000)</u>
PAYMENTS from State Water Reserve			
NET CHANGE to State Water Reserves	<u>\$3,000</u>	<u>\$26,639</u>	<u>(\$17,400)</u>

Notes:

1. Money Transferred to State Water Reserve is based monthly on Water Billing Revenue from shareholders.
2. Developer State Water Reimbursement payments are to cover reserved State Water allocations for current undeveloped property. These payments are made in January and July of each year.
3. Payments to DWR for the cost of State Water and the Drought Buffer are made in January (60%) and July (40%) of each year. DWR State Water Drought Buffer is money paid to insure that SMMWC's State Water allocation (of 275 AF) is covered in drought conditions.
4. CCWA (Central Coast Water Authority) charges are for the treatment, O&M and wheeling of State Water from the California State Aqueduct to Lopez via the Central Coast Branch. Fixed O&M (90% of charges) billed in May. Variable O&M (10%) billed quarterly.
5. SLOFCWCD (SLO Flood Control and Water Conservation District) charges are for the treatment, O&M and wheeling of State Water from Lopez (Zone 3) to SMMWC via CSA (County Service Area) 12.
6. DWR charges are primarily based on the full entitlement of 275 AFY. CCWA & SLOFCWCD (transmission charges) are based on a combination of entitlement, requested deliveries and actual deliveries. 275 Acre Feet is approximately 90 million gallons. (325,851 gallons per Acre Foot)
7. San Miguelito accounting is accrual basis, meaning the amount shown in Developer State Water Reimbursement, is the amount that has been invoiced not received. An accrual to cash adjustment has been added to show monies still outstanding for state water invoices.
8. For 2018 DWR estimates are \$340,000. The 2018 budget is funding the DWR charges at 94%, \$319,600.

**San Miguelito Mutual Water Company
2018 Capital Summary Reserve Report**

	2017 Budget	2017 EST. Actual YE	2018 Budget
Capital Reserve Inflow			
Capital Reserve Fee Income (developed)	\$362,788	\$362,788	\$470,833
Capital Reserve Fee Income (undeveloped)	\$98,496	\$98,496	\$124,200
Investment Interest	\$5,000	\$8,523	\$5,000
Sycamore Capital Rent	\$45,420	\$45,420	\$45,420
SMMWC Office Building Rent	\$21,600	\$21,600	\$22,800
Total Capital Reserves Inflow	<u>\$533,304</u>	<u>\$536,827</u>	<u>\$668,253</u>
Capital Reserve Outflow			
System Infrastructure Projects	\$255,898	\$254,320	\$308,000
Residential/Commercial Projects	\$0	\$0	\$0
Total Capital Outflow	<u>\$255,898</u>	<u>\$254,320</u>	<u>\$308,000</u>
Net Capital Reserves	<u>\$277,406</u>	<u>\$282,507</u>	<u>\$360,253</u>

	2018 Target	2018 Available	2018 Projects	2018 Additions	2 Year Additions
Capital Reserve Distribution					
System Infrastructure Projects	\$200,000	\$200,000	\$308,000	\$0	\$0
Residential/Commercial Projects	\$300,000	\$300,000	\$0	\$300,000	\$582,507
CD Reserves	\$50,000	\$168,253	\$0	\$60,253	\$60,253
	<u>\$550,000</u>	<u>\$668,253</u>	<u>\$308,000</u>	<u>\$360,253</u>	<u>\$642,760</u>

NOTES 2017

1. Operating Earnings Transferred to Capital Reserves should be at least equal to the number of active shares times the implicit water and sewer Capital Charges per month. Then times 12 months for the year.

2. Contribution from Gross Operating Earnings + Capital Reserve fee income from active shares should be at least equal to the Depreciation Expense. As of December 31, 2016 Depreciation Expense was about \$361,637.

3. Capital Reserve Fee Income is a capital assessment that applies only to those shares where the developer is not developing their property, but must participate in their share of SMMWC capital improvements.

4. Office building rent of \$1900 per month is paid to Capital Reserves, which funded the building.

Capital Fee		
	Water	WW
2017	\$18.00	\$18.00
2018	\$23.00	\$23.00

San Miguelito Mutual Water Company
Approved - 2018 Capital Projects Report

System Infrastructure	Water/ Wastewater	Acct #	Staff Contract	Priority	Start QTR	Finish QTR	Capital Labor	2018 Budget Primary	Spent YTD	2018 Budget Remaining	Cost to Complete	Projected Total Project Cost	YTD Under (Over) Budget
Telemetry System Implementation Phase	W	1420.1	C					\$40,000		\$40,000	\$40,000	\$40,000	\$0
Meter Replacement	W		S					\$35,000		\$35,000	\$35,000	\$35,000	\$0
Pump Improvements	W		C					\$80,000		\$80,000	\$80,000	\$80,000	\$0
Building Repairs at WTP	W		C					\$18,000		\$18,000	\$18,000	\$18,000	\$0
Telemetry System Implementation Phase	WW	1420.5	C					\$70,000		\$70,000	\$70,000	\$70,000	\$0
Building & Repair at LS #3	WW		C					\$10,000		\$10,000	\$10,000	\$10,000	\$0
WW & Building Repair LS #2	WW		C					\$30,000		\$30,000	\$30,000	\$30,000	\$0
Building & Fence at WWTP	WW		C					\$10,000		\$10,000	\$10,000	\$10,000	\$0

Capital Labor Reimbursement

SYSTEM PROJECTS

								\$15,000	\$0	\$15,000	\$15,000	\$15,000	\$0
2018 Capital Projects Water/WW Totals								\$0	\$308,000	\$0	\$308,000	\$308,000	\$0

Remaining Balance

Residential/Commercial Infrastructure	Water/ Wastewater	Acct #	Staff Contract	Priority	Start QTR	Finish QTR	Capital Labor	2018 Budget Primary	Spent YTD	2018 Budget Remaining	Cost to Complete	Projected Total Project Cost	YTD Under (Over) Budget
Indian Hill Infrastructure Upgrade								\$50,000					

Capital Labor Reimbursement

R/C INFRASTRUCTURE PROJECTS

								\$0		\$0	\$0	\$0	\$0
2018 R/C Infrastructure Totals								\$0	\$50,000	\$0	\$0	\$0	\$0

Remaining Balance

Special Projects	Water/ Wastewater	Acct #	Staff Contract	Priority	Start QTR	Finish QTR	Capital Labor	2018 Budget Primary	Spent YTD	2018 Budget Remaining	Cost to Complete	Projected Total Project Cost	YTD Under (Over) Budget
*The Pismo Well Formation		1424.4	C					\$110,000					
*Repair and Maintenance of the Weir		1426.5	C					\$40,000					

Capital Labor Reimbursement

SPECIAL PROJECTS

								\$0		\$0	\$0	\$0	\$0
2018 Special Projects Totals								\$0	\$150,000	\$0	\$0	\$0	\$0

Remaining Balance

2018 Total Capital Projects

\$508,000

* Projects Funded With 2017 Excess Operational Revenue

LEGEND	
Priority:	Projects in:
HIGH - Critical for System Operations	White - Have not been started
MED - Recommended Improvement to System	Yellow - Have been started
LOW - Can be Postponed	## - Have been completed
DEF - Project has been Deferred	Lined Through - Have been canceled

**SAN MIGUELITO MUTUAL WATER COMPANY
RATE SCHEDULE
2018**

12/26/2017

RESIDENTIAL - Shareholders

Water Rates	Monthly Availability Charge	\$53.28
	(includes capital reserve)	
	5/8", 3/4" & 1" residential meters	
	Monthly Usage Charges (per 100 gallons)	
	0 gal. to 1500 gal.	\$0.000
	1,500 gal. to 10,000 gal.	\$1.100
	10,000 gal. to 50,000 gal.	\$1.350
	50,000 gal. & over	\$1.450
Sewer Rates	Monthly Availability Charge	\$63.29
	(includes capital reserve)	

COMMERCIAL, IRRIGATION & CONSTRUCTION - Shareholders

Water Rates	Monthly Availability Charge	
	(includes capital reserve)	
	3/4" or smaller meter	\$79.92
	1" meter	\$133.20
	1 1/2" meter	\$266.40 (hydrant mtr)
	2" meter	\$426.24
	3" meter	\$799.20
	4" meter	\$1,172.16
	6" meter	\$2,664.00
	8" meter	\$4,262.40
	Monthly Usage Charges (per 100 gallons)	
	0 gal. to 1500 gal.	\$0.000
	1500 gal. to 3500 gal.	\$1.100
Commercial Sewer Rates	3500 gal. to 15000 gal.	\$1.350
	15000 gal. to 50000 gal.	\$1.450
	Per 3000 gal. Water Usage	\$63.29
	(minimum charge \$63.29 - includes capital reserve)	

CAPITAL RESERVE FEE - Shareholders

Monthly Undeveloped Shares (per share)	\$46.00
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MISCELLANEOUS MONTHLY CHARGES

Dormant Account Charge	\$87.60
Water Softener Surcharge	\$150.00
Special Meter Read Fee (Sub-meters)	\$25.00

SERVICE CHARGES & FEES

Administration Fee	\$25.00
New Account Set-up Charge	\$35.00 (one-time fee)
Share Transfer w/certificate	\$125.00
Lost Share Fee (additional charge)	\$125.00
State Wtr Surcharge Transfer Fee (undev property)	\$75.00
State Water Allocation (undev property)	% of County Chg
Disconnect Fee/Cust Req Mtr Shut Off	\$50.00
Reconnection Fee - Cust Req	\$50.00
Reconnection Fee/Mtr Shut Off Non Pay	\$150.00
Return Check Fee - SW	\$25.00
Meter Testing (per occurrence)	\$130.00
New Meter Installations	\$700.00
(standard installation 1" or smaller meter)	
New Meter Installations	Time & Material
(1 1/2" and larger meters and all meter downsizing)	
Misc. Receivables	Time & Material
Copy Cost (1st. Three pages free per month)	.33 per page

TIME & MATERIAL RATES

HOURLY LABOR RATES	REGULAR (7 am - 3:30 pm)	AFTER HOURS (3:30 pm - 7 am)
General Manager	\$95.00	\$142.50
Utility Manager	\$75.00	\$112.50
System Operator	\$60.00	\$90.00
Laborer	\$40.00	\$60.00
Clerical	\$50.00	\$75.00

Note: Staff time will be portal to portal.

Expenses

Reimbursement for expenses included, as a direct result of the scope of work or at the request of the customer will be invoiced at cost plus 15%.

- All material used in drawing, printing and reproduction
- Postage and delivery charges
- Long distance telephone and data transmission
- Outside professional consultant/contractor fees
- All material required for installation and repair

PENALTIES & INTEREST

-Utility Billing Late Penalty (after the 28th of mo)	10% of balance
-Secondary Receivables Late Penalty (after 30 days)	10% of balance
-Interest - 60+ days (all receivables)	1.5% of balance per month

BILLING SCHEDULE

Utility Billing

-Meters are read at the end of each month and all charges are billed monthly on the 1st of the next month, due on the 28th.

Secondary Receivables

-State Water Availability for Undeveloped Properties - Billed in January and July each year - net 30.

-Time & Material Receivables - Billed at time of service - net 30.

NOTE: Contracts for Non-shareholders are established on a case-by-case basis to include, but not limited to, standard shareholder usage charges plus a 30% surcharge, capital fees, legal and administrative costs.

San Miguelito Mutual Water Company

General Manager's Report

Meter and Share Activity – In 2017 we installed 3 new residential water meters. As of May 2018, our totals for meters and shares are as follows:

Meter Summary

Residential	622
Commercial	20
Irrigation	33
Total	675

Share Summary

Residential	616
Commercial	195
Inactive	230
Total	1,041

Water Production 2016 – Last year we produced 55,763,294 gallons (171 acft) of water, up 18 acft from 2016. 115 acft (67%) was delivered by State water with the other 56 acft (33%) coming from our wells. There were several times throughout 2017 when we exclusively used our well water as it was easier to maintain water quality and disinfectant levels.

The distribution of our water use is:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Residential	53%	56%	56%	52%	52%	55%	54%	53%	53%
Commercial	19%	22%	21%	21%	20%	20%	21%	21%	21%
Irrigation	24%	18%	18%	22%	25%	23%	23%	24%	25%
System	04%	04%	05%	05%	03%	02%	02%	02%	01%

Wastewater Production – For 2017, our treatment plant processed 82 acft of wastewater. Average Daily flows varied from a low of 64,551 gals per day in October to a high of 82,152 gals per day in January. Previously, July had been our highest flow month. This past year our highest flow month occurred during the winter months rain events.

State Water 2017/2018 – For 2017 we requested 110 acft to be delivered. We have increased the requested amount to 120 acft for 2018. According to the County, SMMWC had 275 acft available for use during the 2018 year. For 2017 the DWR delivered 85%, for 2018 the DWR is delivering 15% as of April. Our previous stored water has been reduced to 0 acft due to the heavy rains this past winter.

San Miguelito Mutual Water Company

Operations Report

2017

Systems Maintenance

Both the water system and wastewater system had few relatively minor problems in 2017. We experienced no leaks in the distribution system and some minor blockages in the sewer system due to root intrusion. This past year, several of our customers experienced broken water lines due to tree roots. Staff continues to proactively remove tree roots from our sewer lines and manholes. We also flushed our water mains and exercised the water valves.

Capital Projects

Due to the heavy rains last winter, we had to do some extensive repair work on the road to the treatment plant including the repair of the waterline to Lift Station #3.

The new SCADA monitoring system is up and running to all our facilities except those in Wild Cherry Canyon. Our Operators can now remotely monitor the levels in our tanks, system pressure levels, pump run times and set points.

We repainted the exterior of tanks 100, 200 and 400.

2018

System Maintenance

We continue to replace our older controls and level indicator systems for both the tanks and lift stations. We started to add Magnesium Hydroxide to our sewer system. It has greatly decreased the H₂S in our force mains.

We are adding a flow meter to lift station #2.

We are replacing old water meter angle stops.

Capital Projects

1. Drill for a new water well.
2. Replacement of old water meters.
3. Repair equipment/instrumentation builds.
4. Replace damaged fencing at the WWTP.
5. Finish the SCADA system in Wild Cherry Canyon.
6. Upgrade our pumps to more efficient pumps.