



May 15, 2019

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 15, 2019, 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 15, 2019

OFFICE HELD	NAME	EXPIRATION OF TERM
President	John Delehant	May, 2021
Vice President	Ben Banks	May, 2019
Secretary	Gerri Hall	May 2019
Director	Marvin St Pierre	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 05/15/2019

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 16, 2018

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 17, 2017 Minutes, 2017 Financial Statements, 2018 Budget, 2018 Rate Schedule, Manager's Report, Operations Report.

PRESENT

Directors: John Delehant, Ben Banks, Gerri Hall, Rick Koon, Rob Rossi, Martin Suits
Staff: Michelle Edson, Accounting & Administrative Manager
Absent: None
Legal Counsel: Tim Carmel, Carmel & Naccasha LLP
Shareholders: Ronald Chilcott, Robert Pusanik, Martin and Sharon Suits, Sandy and Michael Nordstrom, Beverly Henry, Anthony and Pat Sweet, Jeanette Krone, Robert Campbell, Lynn Gretkowski, Mary Jacobson, Steve Rossi, Marrgo Rosato, Paul Metchik, Andrew Winterbottom, Rita Hoffman, Marvin and Kimm St Pierre, Carol Hayden, Larry and Karla Bittner
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 Gerri Hall to accept the minutes of the May 17, 2017 meeting as written. Motion passed 6 - 0.

NOMINATION & ELECTION OF OFFICERS

President Delehant announced there was one vacancy on the Board this year. We had two new Candidates interested in running, Marvin St Pierre and Michael Nordstrom, their names appeared on 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, Luz Santos, Operations Support and Customer Service and Shareholder, Beverly Henry opened and counted the ballots.

FINANCIAL REPORT

General Manager Rick Koon presented the San Miguelito Mutual Water Company 2017 Financial Statements, as prepared by the accounting firm of Moss, Levy & Hartzheim LLP.

MANAGER'S REPORT, OPERATIONS REPORT, 2017 and 2018 CAPITAL PROJECTS REVIEW

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

General Managers Report –

- Total water connections are 675 and total number of shares is 1041.
- Water production for 2017 was 171-acre feet. Of that, 67% or 115-acre feet was delivered by state water project; the remaining 33% came from our three wells.
- Total wastewater production for 2017 was 82-acre feet.

Operations Report –

- In 2017 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 2017. 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.

Capital Projects

- In 2017 we repainted the exterior of tanks 100, 200 and 400.
- The winter storms caused an oak tree to fall and break the pipe bridge crossing. We had to replace the waterline crossing at lift station #3. We also had to do some extensive repairs to the road out to the treatment plant.
- The new SCADA monitoring system is up and running to all facilities except in Wild Cherry Canyon. Our Operators can now remotely monitor the levels in our tanks, system pressure levels, pump run times and set points.

Presentation -

- Pictures were shown of the various projects completed in 2017.

ELECTION RESULTS

Board Secretary Gerri Hall announced the results election. Marvin St Pierre received the greatest number of shareholder votes and was elected, by the shareholders, to serve as a director for the remainder of 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 16, 2018

SHARE REPRESENTATION

1041 Total Shares – 20% Necessary for Quorum 209 Shares

John Delehant –	1 share
Ben Banks – SLBI Proxy	144 shares
Gerri Hall – 1 plus 1 Res. Proxy	2 shares
Rob Rossi – ABR, E. Hartford, AVLLC, OUAT, Covelop	198 shares
Rick Koon – KFD, BDC/ALD, SCM, 1 Res.	81 Shares
Martin Suits	1 share
Residents in Attendance – 22	17 shares
Ballots by Mail	214 shares
TOTAL SHARES REPRESENTED	695 shares

SHAREHOLDERS ELECTED – BY BALLOT

Marvin St. Pierre

Remainder of a 4-year term

San Miguelito Mutual Water Company

Reviewed Financial Statements

December 31, 2018

Draft

San Miguelito Mutual Water Company

Table of Contents

Financial Statements:	<u>Page</u>
Independent Accountants' Review Report	1
Balance Sheet	2
Statement of Income	3
Statement of Changes in Stockholders' Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

Draft

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, 2018, 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.

Santa Maria, California
April XX, 2019

San Miguelito Mutual Water Company
Balance Sheet
December 31, 2018

Assets

Current assets

Cash and cash equivalents (Note 1)	\$ 430,978
Accounts receivable (Note 1)	57,823
Deposits	448
Prepaid expenses	1,590

Total current assets 490,839

Property and equipment (Note 4)	11,382,313
Less accumulated depreciation	(4,901,391)

Net property and equipment 6,480,922

Other assets

Capital and state water reserves (Note 3)	2,519,784
Reimbursable projects, restricted cash (Note 3)	16,285
Local water rights (Note 1)	238,030

Total other assets 2,774,099

Total assets \$ 9,745,860

Liabilities and stockholders' equity

Current liabilities

Accounts payable	\$ 39,373
Payroll liabilities	49,512

Total current liabilities 88,885

Other liabilities

Reimbursable projects (Note 1)	16,285
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Total liabilities 105,170

Stockholders' equity

Common stock, no par value, 10,000 shares authorized	
1,041 shares issued and outstanding	677,383
Additional paid in capital (Note 7)	10,996,057
Retained earnings	
Unreserved	(2,032,750)

Total stockholders' equity 9,640,690

Total liabilities and stockholders' equity \$ 9,745,860

See accompanying notes and independent accountants' review report.

San Miguelito Mutual Water Company
Statement of Income
For the Year Ended December 31, 2018

Revenue		
Water and sewer usage fees		\$ 1,213,683
New service fees		2,240
Late and other administrative fees		31,451
Contract services		17,200
Building rent		22,800
Sewer facilities rent		45,420
State water payment, stockholders with undeveloped property		47,532
	Total revenue	<u>1,380,326</u>
Operating expenses		
State water		352,833
Personnel costs		255,809
Consulting		69,210
Depreciation (Note 4)		352,302
Lab tests		18,734
Other programs		6,227
Repairs and maintenance		98,050
Supplies		29,011
Training, education, health and safety		7,387
Telephone and communications		5,402
Uniforms		5,714
Utilities		78,543
Vehicles		19,300
	Total operating expenses	<u>1,298,522</u>
General and administrative expenses		
Accounting and legal		54,950
Bank fees		4,824
Consulting		6,840
Insurance		19,580
Licenses, fees and dues		19,358
Miscellaneous		1,418
Office supplies and equipment		14,144
Personnel costs		94,786
Property taxes		7,892
Rent		22,800
Repairs and maintenance		5,903
Telephone and internet		4,116
Utilities		1,352
	Total general and administrative expenses	<u>257,963</u>
	Total expenses	<u>1,556,485</u>
	Profit from operations	<u>(176,159)</u>
Other income (expense)		
Interest		33,563
	Total other income (expense)	<u>33,563</u>
	Profit before income taxes	<u>(142,596)</u>
Provision for income taxes, current (Notes 1 and 5)		<u>(800)</u>
Net	Net profit	<u>\$ (143,396)</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, 2018

	Common Stock		Additional	Retained	
	Shares	Cost	Paid-in	Earnings	Total
			Capital	(Deficit)	
Balance, December 31, 2017	1,041	\$ 677,383	\$ 9,627,442	\$ (1,094,894)	\$ 9,209,931
Prior period adjustment			794,460	(794,460)	
Balance, December 31, 2017- restated	1,041	677,683	10,421,902	(1,889,354)	9,209,931
Capital Contributions			574,155		574,155
Net income				(143,396)	(143,396)
Balance, December 31, 2018	<u>1,041</u>	<u>\$ 677,683</u>	<u>\$ 10,996,057</u>	<u>\$ (2,032,750)</u>	<u>\$ 9,640,690</u>

Draft

See accompanying notes and independent accountants' review report.

San Miguelito Mutual Water Company
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Net profit	\$ (143,396)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	352,302
Earnings (loss) in investments	(32,382)
(Increase) decrease in:	
Accounts receivable	10,011
Prepaid expenses	497
Increase (decrease) in:	
Accounts payable	(7,736)
Payroll liabilities	929
Net cash provided by operating activities	<u>180,225</u>
Cash flows from investing activities:	
Purchases of property and equipment	(459,345)
Purchases of investments	<u>(376,349)</u>
Net cash used by investing activities	<u>(835,694)</u>
Cash flows from financing activities:	
Capital contributions	<u>574,155</u>
Net cash provided by financing activities	<u>574,155</u>
Net decrease in cash and cash equivalents	(81,314)
Cash and cash equivalents at beginning of year	<u>512,292</u>
Cash and cash equivalents at end of year	<u><u>\$ 430,978</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, 2018, 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, 2018. 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, 2015, and by the California Franchise Tax Board for the years ended on or after December 31, 2014.

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, 2018, accounts receivable totaled \$57,823, consisting of \$45,828 owed for December utility bills and the state water receivable of \$11,995.

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, 2018, SMMWC has reimbursable contract agreements with San Luis Bay Inn Timeshares, Inc.

Subsequent Events

Subsequent events have been evaluated through April XX, 2019, 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, 2018, SMMWC had \$965,852 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 \$2,536,069. Included in this amount is \$2,519,784 for repair and replacement of fixed assets, and \$16,285 for reimbursable projects, at December 31, 2018.

Note 4 - Property and Equipment

Depreciation expense totaled \$352,302 for the year ended December 31, 2018. Property and equipment consisted of the following at December 31, 2018:

	Estimated Useful Lives in Years	2017	Additions	Disposals	2018
Water and sewage distribution	15-45	\$ 9,025,326	\$ 431,808	\$ -	\$ 9,457,134
State water construction	39	836,072			836,072
Building	39	619,203	26,912		646,115
Vehicles	5-7	102,064			102,064
Office equipment	3-7	79,455	625		80,080
Land, Lot 17		130,424			130,424
Land, Lot 67		130,424			130,424
Property, plant and equipment at cost		10,922,968	459,345		11,382,313
Accumulated depreciation		(4,549,089)	(352,302)		(4,901,391)
Net property and equipment		<u>\$ 6,373,879</u>	<u>\$ 107,043</u>	<u>\$ -</u>	<u>\$ 6,480,922</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, 2019 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 2018 and had no outstanding principal balance on December 31, 2018.

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 \$594,863 was calculated for the year ended December 31, 2018. Since SMMWC does not expect to utilize this deferred tax asset in the foreseeable future a valuation allowance totaling (\$594,863) that offsets the deferred tax asset was recorded, for net deferred taxes of zero at December 31, 2018. The net change in the net deferred tax asset and valuation allowance totaled \$30,113 for the year ended December 31, 2018.

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, 2018 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 \$10,996,057, for the year ended December 31, 2018.

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, 2018. 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, 2018 totaled \$7,853.

Note 10 - Rent

Monthly transfers of \$1,900, or \$22,800 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.

Note 11 - Prior Period Adjustment

A prior period adjustment of \$794,460 was made to reclassify capital contributions that were made in prior years to Additional Paid-in Capital.

San Miguelito Mutual Water Company
Operational Earnings Report
Approved - 2019 Budget

Water

	2018 Budget	2018 Est. Actuals	2019 Budget
Water Revenue (w/o capital)	\$749,698	\$834,232	\$810,913
Residential	\$374,569	\$440,000	\$393,178
Commerical	\$172,130	\$172,800	\$161,847
Irrigation	\$153,925	\$173,900	\$204,576
State Water (undeveloped shares)	\$49,074	\$47,532	\$51,312
Water Expenses	(\$756,350)	(\$763,553)	(\$806,140)
State Water	(\$319,600)	(\$354,328)	(\$342,000)
Operating Expense	(\$247,100)	(\$233,000)	(\$256,500)
Gen Admin Expense (50%)	(\$189,650)	(\$176,225)	(\$207,640)
Net Water Operational Earnings	(\$6,652)	\$70,679	\$4,773

2019	Capital Fee \$
Water	\$253,968
Sewer	\$275,626
Total	\$529,594

Wastewater

	2018 Budget	2018 Est. Actuals	2019 Budget
Wastewater Revenue (w/o capital)	\$440,862	\$486,000	\$450,182
Residential	\$299,206	\$330,000	\$315,146
Commerical	\$133,964	\$144,000	\$127,004
Contract Customers	\$7,692	\$12,000	\$8,032
Wastewater Expenses	(\$438,250)	(\$402,725)	(\$457,840)
Operating Expense	(\$248,600)	(\$226,500)	(\$250,200)
Gen Admin Expense (50%)	(\$189,650)	(\$176,225)	(\$207,640)
Net Wastewater Operational Earnings	\$2,612	\$83,275	(\$7,658)
SMMWC Overall Operating Earnings	(\$4,040)	\$153,954	(\$2,885)

2018 YE	State Water Reserve	Capital Reserves	Resource Reserves
Estimate	\$282,000	\$2,802,174	\$150,000

**San Miguelito Mutual Water Company
Approved - 2019 State Water Budget**

State Water Reserves as of Dec 31, 2018	\$282,000	EST. Jan 2019 payment \$164,271.
State Water Reserves as of Dec 31, 2019	\$285,000	
Min Target	\$180,000	

		2018 Budget	2018 Est. YE	2019 Budget
Money Transferred to State Water Reserve Fund (223.22 AF/2017 81.17 %)	2018 80.70%	\$270,526	\$270,526	\$290,688
Developer State Water Reimbursement (51.78 AF/2017 18.83%)	2018 19.30%	\$49,074	\$47,532	\$51,312
Investment Income, Late Fees, and Interest Income from SWR		\$3,000	\$3,000	\$3,000
		<u>\$322,600</u>	<u>\$321,058</u>	<u>\$345,000</u>
CONTRIBUTIONS to State Water Reserve				
DWR Charges for State Water - (275 AF)		(\$238,500)	(\$240,415)	(\$240,886)
DWR Charges for State Water Drought Buffer		(\$32,000)	(\$31,614)	(\$31,614)
CCWA(O&M Wheeling-State Water Aqueduct to Lopez)		(\$36,500)	(\$36,500)	(\$36,500)
SLOFCWCD (O&M, Wheeling - Lopez to SMMWC)		(\$33,000)	(\$45,799)	(\$33,000)
		<u>(\$340,000)</u>	<u>(\$354,328)</u>	<u>(\$342,000)</u>
PAYMENTS from State Water Reserve				
NET CHANGE to State Water Reserves		<u>(\$17,400)</u>	<u>(\$33,270)</u>	<u>\$3,000</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.

San Miguelito Mutual Water Company
Approved - 2019 Capital Summary Reserve Report

	2018 Budget	2018 Estimated YE	2019 Budget
Capital Reserve Inflow			
Capital Reserve Fee Income (developed)	\$470,833	\$470,833	\$529,594
Capital Reserve Fee Income (undeveloped)	\$124,200	\$124,200	\$134,160
Investment Interest	\$5,000	\$20,000	\$20,000
Sycamore Capital Rent	\$45,420	\$45,420	\$45,420
SMMWC Office Building Rent	\$22,800	\$22,800	\$24,000
Total Capital Reseves Inflow	<u>\$668,253</u>	<u>\$683,253</u>	<u>\$753,174</u>
Capital Reserve Outflow			
System Infrastructure Projects	(\$308,000)	(\$167,482)	(\$278,500)
Residential/Commercial Projects	(\$50,000)	\$0	\$0
2018/2019 Special Projects(funded \$150,000. from reserves)		(\$104,718)	(\$250,000)
Total Capital Outflow	<u>(\$358,000)</u>	<u>(\$272,200)</u>	<u>(\$528,500)</u>
Net Capital Reserves	<u>\$310,253</u>	<u>\$411,053</u>	<u>\$224,674</u>

Capital Reserve Distribution	2017 YE	2018 Target	2018 Transfer	2018 Est. YE	2019 Additions	2019 YE
Money Market	\$793,683	\$552,562	\$150,000	\$554,736	\$124,674	\$679,410
2018 Excess Operational Revenue						\$150,000
CD Reserves	\$1,000,000	\$1,500,000	\$500,000	\$1,500,000	\$100,000	\$1,600,000
Investments (Building)	\$747,438	\$747,438	\$0	\$747,438	\$0	\$747,438
	<u>\$2,541,121</u>	<u>\$2,800,000</u>	<u>\$650,000</u>	<u>\$2,802,174</u>	<u>\$224,674</u>	<u>\$3,176,848</u>

NOTES **2018**

- 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.
- 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, 2017 Depreciation Expense was about \$352,482.
- 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.
- Office building rent of \$2,000 per month is paid to Capital Reserves, which funded the building.

Monthly		
	Water	WW
2018	\$23.00	\$23.00
2019	\$26.00	\$26.00

San Miguelito Mutual Water Company
Approved - 2019 Capital Projects Report

System Infrastructure	Water/ Wastewater	Acct #	Staff/ Contract	Priority	Start QTR	Finish QTR	Capital Labor	2019 Budget Primary	Spent YTD	2019 Budget Remaining	Cost to Complete	Projected Total Project Cost	YTD Under (Over) Budget
Water													
Replace Worn and Cracked Flex Joint Coups	W	1428.1		H				\$8,500					
Valve Replacement Tank 400	W	1428.2		H				\$8,000					
Abandonment of 8" Steel Line Behind WTP	W	1428.3		H				\$35,000					
Telemetry System Implementation Phase	W	1420.1	C	M				\$30,000					
Meter Replacement	W	1428.4	S	M				\$30,000					
Metal Shade Cover WTP	W	1428.5		L				\$30,000					
Wastewater													
Sludge Removal at WWTP	WW	1428.6		H				\$45,000					
Telemetry System Implementation Phase	WW	1420.5	C	M				\$30,000					
Aerator Replacement WWTP	WW	1428.7		L				\$20,000					
Fence at WWTP	WW	1428.8		L				\$15,000					
Other													
Replace Golf Cart/Utility Vehicle	Other	1428.9		L				\$6,500					
Utility Trailer 8'X5'	Other	1428.10		L				\$5,500					
Capital Labor Reimbursement													
SYSTEM PROJECTS								\$15,000					
2018 Capital Projects Water/WW Totals								\$0	\$278,500	\$0	\$0	\$0	\$0

Remaining Balance

Special Projects	Water/ Wastewater	Acct #	Staff/ Contract	Priority	Start QTR	Finish QTR	Capital Labor	2019 Budget Primary	Spent YTD	2019 Budget Remaining	Cost to Complete	Projected Total Project Cost	YTD Under (Over) Budget
*The Pismo Well Formation		1424.4	C					\$210,000					
*Repair and Maintenance of the Weir		1426.5	C					\$40,000					
Capital Labor Reimbursement													
SPECIAL PROJECTS													
2018 Special Projects Totals								\$0	\$250,000	\$0	\$0	\$0	\$0

Remaining Balance

2018 Total Capital Projects

\$528,500

* Special Projects must have BOD approval before monies are spent

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

**SAN MIGUELITO MUTUAL WATER COMPANY
RATE SCHEDULE
2019**

11/2/2018

RESIDENTIAL - Shareholders

Water Rates	Monthly Availability Charge (includes capital reserve) 5/8", 3/4" & 1" residential meters	\$56.28
	Monthly Usage Charges (per 100 gallons)	
	0 gal. to 1500 gal.	\$0.000
	1,500 gal. to 10,000 gal.	\$1.120
	10,000 gal. to 50,000 gal.	\$1.380
	50,000 gal. & over	\$1.480
Sewer Rates	Monthly Availability Charge (includes capital reserve)	\$67.90

COMMERCIAL, IRRIGATION & CONSTRUCTION - Shareholders

Water Rates	Monthly Availability Charge (includes capital reserve) 3/4" or smaller meter	\$84.42
	1" meter	\$140.70
	1 1/2" meter	\$281.40 (hydrant mtr)
	2" meter	\$450.24
	3" meter	\$844.20
	4" meter	\$1,238.16
	6" meter	\$2,814.00
	8" meter	\$4,502.40
	Monthly Usage Charges (per 100 gallons)	
	0 gal. to 1500 gal.	\$0.000
	1500 gal. to 3500 gal.	\$1.120
	3500 gal. to 15000 gal.	\$1.380
	15000 gal. to 50000 gal.	\$1.480
Commercial Sewer Rates	Per 3000 gal. Water Usage (<u>minimum</u> charge \$67.90 - includes capital reserve)	\$67.90

CAPITAL RESERVE FEE - Shareholders

Monthly Undeveloped Shares (per share)	\$52.00
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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 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 2018 we installed 5 new residential water meters. As of May 2019, our totals for meters and shares are as follows:

Meter Summary

Residential	627
Commercial	20
Irrigation	33
Total	680

Share Summary

Residential	625
Commercial	195
Inactive	221
Total	1,041

Water Production 2018 – Last year we produced 53,930,556 gallons (165 acft) of water. 110 acft (67%) was delivered by State water with the other 55 acft (33%) coming from our wells. Throughout 2018, we consistently blended our state water with our well water. During the drier months our well water was frequently used to offset peak demand flows especially on weekends.

The distribution of our water use is:

	<u>2018</u>	<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	54%	53%	56%	56%	52%	52%	55%	54%	53%	53%
Commercial	19%	19%	22%	21%	21%	20%	20%	21%	21%	21%
Irrigation	23%	24%	18%	18%	22%	25%	23%	23%	24%	25%
System	04%	04%	04%	05%	05%	03%	02%	02%	02%	01%

Wastewater Production – For 2018, our treatment plant processed 83 acft of wastewater. Average Daily flows varied from a low of 67,037 gals per day in September to a high of 86,126 gals per day in July.

State Water 2017/2018 – For 2018 we requested 110 acft to be delivered. We have increased the requested amount to 120 acft for 2019. According to the County, SMMWC had 275 acft available for use during the 2018 year. For 2018 the DWR delivered 35%, for 2019 the DWR is delivering 80% as of April.

San Miguelito Mutual Water Company

Operations Report

2018

Systems Maintenance

Both the water system and wastewater system had few relatively minor problems in 2018. We experienced no leaks in the distribution system and some minor blockages in the sewer system due to root intrusion. The addition of Magnesium Hydroxide into our Lift Stations has greatly decreased the H₂S in our force mains. Staff replaced old water meter angle stops in Pelican Point. Staff continued to proactively remove tree roots from our sewer lines and manholes. We also flushed our water mains and exercised the water valves.

Capital Projects

Prior to the heavy rains last winter, we were able to do extensive repair work on the equipment buildings at LS#2&3 and at the WWTP.

The new SCADA monitoring system was expanded to include our facilities in Wild Cherry Canyon. Our operators can now remotely monitor the levels in our tanks, system pressure levels, pump run times and set points.

The new Pismo Formation well was drilled under the direction of the Hydrogeologist and cased to his specifications. It is estimated to deliver 40 to 50 gpm.

2019

System Maintenance

Staff has planned to completely clean the sewer system that flows into Lift Station #1. This includes Silver Oaks, Skylark, Apple Orchards, Indian Hill, Pelican Point and the Commercial area.

We continue to replace our older controls and level indicator systems for both the tanks and lift stations.

Staff will continue to paint several of the water and wastewater pumps.

We will continue to replace old water meter angle stops.

Capital Projects

1. Continue to work with Salmon Enhancement and the Dept. of Fish and Wildlife to solicit grant funding for the Marre Weir fish ladder project.
2. Continue replacement of old water meters.
3. Remove sludge and dewater Pond #2 at the WTP.
4. Repair worn valves and flex couplings.
5. Continue to add data acquisition receivers to the SCADA system.
6. Continue to upgrade our pumps to more efficient pumps.