



May 20, 2022

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 20, 2022, 2:00pm

SMMWC Board Room

1561 Sparrow Street

San Luis Obispo, CA 93405-8056

or

attend by computer, tablet or smartphone

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Agenda

2:00pm	Pledge of Allegiance	Michael Nordstrom, President
	Minutes of Last Meeting	Bob Peterson, Secretary
	President's Remarks	Michael Nordstrom, President
	Financial Report	Geoff English, General Manager
	Manager's Report	Geoff English, General Manager
	Capital Projects Review	Geoff English, General Manager
	Questions and Answers	Board of Directors, Management
	Adjourn	Michael Nordstrom, President

Board of Directors

May 20, 2022

OFFICE HELD	NAME	EXPIRATION OF TERM
President	Michael Nordstrom	May, 2023
Vice President	Marvin St Pierre	May, 2025
Financial Officer	Larry Bittner	May 2025
Secretary	Robert Peterson	May, 2023
Director	Rick Koon	May, 2023
Director	Robin L. Rossi	May, 2025
Director	Paul O'Malley	May, 2025

**SAN MIGUELITO MUTUAL WATER COMPANY
SHAREHOLDERS LIST
AS OF 03/01/2022**

PELICAN POINT	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
BDC/AVILA LAND INVESTMENT LLC	15 SHARES
KINGFISHER RESIDENTS	115 SHARES
CDF-FIRESTATION #13	1 SHARE
SKYLARK MEADOW RESIDENTS	65 SHARES
HERON CREST RESIDENTS	66 SHARES
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 (West Harford & Lot 279)	2 SHARES
JANE MILLER (East Harford)	1 SHARE
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 Friday, May 21, 2021

VIA
GTOMEETING.COM

SMMWC Office
1561 Sparrow Street
San Luis Obispo, CA

REGISTRATION OF SHAREHOLDERS

This year's meeting was held on gotomeeting.com due to the Corona Virus each Shareholder was asked to give their name and address as they connected in through phone or internet. The Annual Meeting Packet that included the Agenda, List of Directors, Shareholder List, May 22, 2020 Minutes, 2020 Financial Statements, 2021 Budget, 2021 Rate Schedule, Manager's Report, Operations Report was posted to our website.

Board Members Present: Marvin St Pierre, Rick Koon, Rob Rossi, Thomas Rinn, Michel Nordstrom

Board Member Absent: John Delehant

Staff: Brad Hagemann, General Manager, Michelle Edson, Accounting & Administrative Manager and Luz Santos, Operations Support & Customer Service

Legal Counsel: Tim Carmel, Carmel & Naccasha LLP

Election Inspector: Julie Rodewald from the League of Women Voters

Shareholders: Gerri Hall, Heather Nelson, Bob Peterson, Larry Bittner, John Hostetter, Paul O'Malley, Terri Belsley, Bill Crewe, Steve Rossi, Bob Pusanik, Carol Hyden

Guest: None

PLEDGE OF ALLEGIANCE & PRESIDENT'S REMARKS

President St Pierre opened the meeting at 2:02 p.m. with the pledge of allegiance, welcomed the shareholders in attendance and introduced the Board of Directors, staff and consultants present.

President St Pierre 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."*

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

MINUTES OF LAST MEETING

President St Pierre asked the shareholders to review the minutes of the last meeting. There was a motion made by Larry Bittner, seconded by Bob Peterson to accept the minutes of the May 22, 2020 meeting as written. Marvin St. Pierre asked if the minutes could be amended to reflect that the day of the meeting was Friday not Wednesday. Motion passed with amendment 5 – 0.

NOMINATION & ELECTION OF OFFICERS

President St. Pierre asked if there were any additional nominations from the floor. Larry Bittner nominated John Hostetter who was in attendance and excepted the nomination to serve. President St. Pierre hearing no other nominees excused the voting committee of Michelle Edson, Luz Santos and Julie Rodewald to proceed with opened and counted the Ballots and Proxys.

PRESIDENT'S REMARKS

President St. Pierre expressed his appreciation for John Delehant for his service to Company for the past 10 or so years.

FINANCIAL REPORT

General Manager Brad Hagemann presented the San Miguelito Mutual Water Company 2020 Financial Statements, as prepared by the accounting firm of Moss, Levy & Hartzheim LLP. He remarked that the most important part of this financial audit is the accountants' conclusion and he read the following from the report. "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". It was a clean audit report without any necessary modifications required.

MANAGER'S REPORT, OPERATIONS REPORT, 2020 and 2021 CAPITAL PROJECTS REVIEW

General Manager Hagemann, presented a slide show through shared screen on gotomeeting. The reports as follows:

General Managers Report

In 2020 -

- Total water connections are 688 and total number of shares is 1041.
- Water production for 2020 was 174-acre feet. Of that, 70% or 122-acre feet was delivered by state water project, the remaining 30% came from our three wells.
- Total wastewater production for 2020 was 80-acre feet.

Operations Report –

- Staff continues to do preventative cleaning of the Water and Wastewater system in most neighborhoods
- Staff painted and refurbished pumps, hydrants, pipes, vents and electrical panels throughout the system.
- Staff continued to proactively remove tree roots from sewer lines and manholes.
- We rebuilt one of the 100hp motors at lift station 3
- We completed a water line repair and repaving in front of Woodstone.

Capital Projects-

- Panting the outside of Tank 300.
- Upgrading the rolling metal doors at booster stations.
- Slip lining the old 8' steel water pipe with 6' HDPE pipe.
- Telemetry system improvement with a focus on ensuring the system is secure from potential outside hackers.
- Replacement of the Transfer Switch and Lift Station 1.
- Replacement of the doors at all Lift Stations.

Special Projects -

- The grant money received with the assistance of Salmon Enhancement and the Dept. of Fish and Wildlife there has been great progress on the preliminary design work for the Marre Wier.
- The update to the 2015 Water Resources Analysis study

For 2021 –

- Staff will be replacing water system sample taps.
- Staff will be flushing the system and exercising the valves.
- Staff will also continue to replace old meters and refurbish and paint hydrants and infrastructure as needed.

Capital Projects –

- Inspect, repair and coat the inside and outside of tank 550.
- Cleaning tank 400
- Meter replacements.
- Telemetry system improvements
- Metering and upgrade work at WWTP & Lift Station 3.
- Installation of new pump at Lift Station 3

QUESTION & ANSWER

Larry Bittner asked if there were any delinquent State Water accounts. GM Hagemann answered that there is one company and we are currently working with them to get everything caught up. Larry remarked that he just wants to make sure that accounts are current. Director Koon, page 6 of the financial audit report shows accounts receivable detail.

Bob Pusanik asked if the State Water in San Luis Reservoir has restrictions on allocations. GM Hagemann, at this time there are not, there is an allotment of water that has San Luis Obispo Flood Control Water Conservation District's name on it and we are a sub-contractor to SLOFCWCD. That water is reasonable safe in terms of being delivered. We are receiving our whole requested allocation. Bob Peterson asked how were able to deliver less water in 2014. GM Hagemann, due to conservation requirements people were conserving. Director Koon, due to conservation mandates that required a 25% reduction we went to a modified tiered billing rate based off of average usage per neighborhood. Bob Peterson asked if we have details on how much well water vs state water we use. GM Hagemann, yes, we do we keep a production report and it is in our monthly board packet. Bob Peterson asked what percentage of our water is State Water? GM Hagemann, I don't have the numbers in front of me but approximately 2/3 state water with 1/3 well water. Bob Peterson, do we have enough well water to satisfy our needs? GM Hagemann, the wells have a higher capability than what we are currently using the downside is the hardness of the water. The Board is currently exploring possibilities with the wells. Larry Bittner, what wells are currently being tested? GM, our current wells 4A, 5A & 6A are currently part of our system and those are the ones we are looking at for treatment technology.

RECESS

At 2:50pm President St. Pierre requested a thirty (30) minute meeting recess to complete the election results.

ELECTION RESULTS

The meeting reconvened at 3:20pm. Election Inspector, Julie Rodewald read the election results. All results were posted to our website at smmw.com.

I Julie L. Rodewald, certify that the results of the Election for 4 four-year seats and 1 two-year seat on the Board of Directors of the San Miguelito Mutual Water Company conducted on May 21, 2021 is as follows:

Total Shares	1041
Shares Cast	861
Votes Cast	4305
Marvin St Pierre	831
Robin L Rossi	1040
Thomas Rinn	30
Paul O'Malley	570
Gerri Hall	108
Robert Peterson	545
Larry Bittner	597
Damien Mavis	26
John Hostetter (write in)	522
Write in	8
Undervotes	28

Dated: May 21, 2021

Julie Rodewald

Julie L. Rodewald

Voter Services Director

League of Women Voters of San Luis Obispo County

ADJOURNMENT

The meeting was adjourned at 3:51p.m.

Proceedings recorded by:

Michelle Edson, Accounting & Administrative Manager

Respectfully Submitted,

Approved:

Rick Koon, Secretary

Marvin St Pierre, President

ANNUAL SHAREHOLDERS MEETING

May 21, 2021

SHARE REPRESENTATION

1041 Total Shares – 20% Necessary for Quorum 209 Shares

Marvin St. Pierre	3 shares
Michael Nordstrom	1 share
Rob Rossi – ABR, E. Hartford, AVLLC and OUAT	198 shares
Rick Koon – Avila Land Development, LLC.	15 shares
Residential and Commercial in Attendance	1 share
Ballots by Mail or Walk Ins	276 shares
Proxys	367 Shares
TOTAL SHARES REPRESENTED	861 shares

San Miguelito Mutual Water Company

Reviewed Financial Statements

December 31, 2021



Moss, Levy & Hartzheim LLP

Certified Public Accountants

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, 2021, 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 20, 2022

San Miguelito Mutual Water Company

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San Miguelito Mutual Water Company

Balance Sheet

December 31, 2021

Assets

Current assets

Cash and cash equivalents (Note 1)	\$ 430,946
Accounts receivable (Note 1)	9,095
Deposits	448
Prepaid expenses	<u>6,566</u>

Total current assets 447,055

Property and equipment (Note 4)	12,239,141
Less accumulated depreciation	<u>(6,224,781)</u>

Net property and equipment 6,014,360

Other assets

Capital and state water reserves (Note 3)	4,147,066
Local water rights (Note 1)	<u>238,030</u>

Total other assets 4,385,096

Total assets \$ 10,846,511

Liabilities and stockholders' equity

Current liabilities

Accounts payable	\$ 14,593
Payroll liabilities	49,959
Unearned revenue	<u>53,444</u>

Total current liabilities 117,996

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)	12,952,083
Retained earnings	
Unreserved	<u>(2,900,951)</u>

Total stockholders' equity 10,728,515

Total liabilities and stockholders' equity \$ 10,846,511

San Miguelito Mutual Water Company

Statement of Income

For the Year Ended December 31, 2021

Revenue		
Water and sewer usage fees		\$ 1,351,553
New service fees		1,610
Late and other administrative fees		36,448
Contract services		18,000
Building rent		28,500
Sewer facilities rent		45,420
Miscellaneous		5,000
State water payment, stockholders with undeveloped property		52,752
	Total revenue	<u>1,539,283</u>
Operating expenses		
State water		362,725
Personnel costs		315,726
Consulting		60,375
Depreciation (Note 4)		486,861
Lab tests		48,897
Other programs		(2,422)
Repairs and maintenance		95,668
Supplies		22,940
Training, education, health and safety		5,041
Telephone and communications		4,203
Uniforms		4,997
Utilities		95,265
Vehicles		17,383
	Total operating expenses	<u>1,517,659</u>
General and administrative expenses		
Accounting and legal		23,778
Bank fees		4,995
Consulting		10,883
Insurance		25,609
Licenses, fees and dues		29,845
Miscellaneous		1,604
Office supplies and equipment		15,542
Personnel costs		129,428
Property taxes		8,219
Rent		26,400
Repairs and maintenance		4,608
Telephone and internet		4,353
Utilities		3,113
	Total general and administrative expenses	<u>288,377</u>
	Total expenses	<u>1,806,036</u>
	Loss from operations	<u>(266,753)</u>
Other income (expense)		
Interest		<u>60,938</u>
	Total other income (expense)	<u>60,938</u>
	Loss before income taxes	<u>(205,815)</u>
Provision for income taxes, current (Notes 1 and 5)		<u>(800)</u>
Net	Net loss	<u>\$ (206,615)</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, 2021

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Cost</u>	<u>Paid-in</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>	<u>(Deficit)</u>	
Balance, December 31, 2020	1,041	\$ 677,383	\$ 12,310,260	\$ (2,694,336)	\$ 10,293,307
Capital Contributions			641,823		641,823
Net loss				(206,615)	(206,615)
Balance, December 31, 2021	<u>1,041</u>	<u>\$ 677,383</u>	<u>\$ 12,952,083</u>	<u>\$ (2,900,951)</u>	<u>\$ 10,728,515</u>

San Miguelito Mutual Water Company
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities:	
Net loss	\$ (206,615)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	486,861
Earnings on investments	(60,938)
(Increase) decrease in:	
Accounts receivable	37,019
Prepaid expenses	(657)
Increase (decrease) in:	
Accounts payable	(87,371)
Payroll liabilities	7,397
Unearned revenue	38,429
Net cash provided by operating activities	<u>214,125</u>
Cash flows from investing activities:	
Purchases of property and equipment	(378,822)
Purchases of investments	<u>(586,637)</u>
Net cash used by investing activities	<u>(965,459)</u>
Cash flows from financing activities:	
Capital contributions	<u>641,823</u>
Net cash provided by financing activities	<u>641,823</u>
Net decrease in cash and cash equivalents	(109,511)
Cash and cash equivalents at beginning of year	<u>540,457</u>
Cash and cash equivalents at end of year	<u><u>\$ 430,946</u></u>
Supplementary cash flow information:	
Cash paid for state taxes	<u><u>\$ 800</u></u>

San Miguelito Mutual Water Company

Notes to the Financial Statements

For the Year Ended December 31, 2021

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, 2021, 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, 2021. 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, 2018, and by the California Franchise Tax Board for the years ended on or after December 31, 2017.

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, 2021, accounts receivable totaled \$9,095, consisting of \$8,993 owed for December utility bills and the state water receivable of \$102.

San Miguelito Mutual Water Company

Notes to the Financial Statements

For the Year Ended December 31, 2021

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.

Subsequent Events

Subsequent events have been evaluated through May 20, 2022, 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, 2021, SMMWC had \$466,235 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 \$4,147,066. Included in this amount is \$4,147,066 for repair and replacement of fixed assets at December 31, 2021.

Note 4 - Property and Equipment

Depreciation expense totaled \$486,861 for the year ended December 31, 2021. Property and equipment consisted of the following at December 31, 2021:

	Estimated Useful Lives in Years	2020	Additions	Disposals	2021
Water and sewage distribution	15-45	\$ 9,874,590	\$ 378,822	\$ -	\$ 10,253,412
State water construction	39	836,072			836,072
Building	39	695,263			695,263
Vehicles	5-7	113,466			113,466
Office equipment	3-7	80,080			80,080
Land, Lot 17		130,424			130,424
Land, Lot 67		130,424			130,424
Property, plant and equipment at cost		11,860,319	378,822		12,239,141
Accumulated depreciation		(5,737,920)	(486,861)		(6,224,781)
Net property and equipment		<u>\$ 6,122,399</u>	<u>\$ (108,039)</u>	<u>\$ -</u>	<u>\$ 6,014,360</u>

Note 5 - Line of Credit

SMMWC has a \$350,000 business revolving line of credit with Wells Fargo Bank that matured on November 15, 2021. 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 2021 and had no outstanding principal balance on December 31, 2021. SMMWC has decided not to renew the line of credit for 2022.

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 \$753,664 was calculated for the year ended December 31, 2021. Since SMMWC does not expect to utilize this deferred tax asset in the foreseeable future a valuation allowance totaling (\$753,664) that offsets the deferred tax asset was recorded, for net deferred taxes of zero at December 31, 2021. The net change in the net deferred tax asset and valuation allowance totaled \$43,389 for the year ended December 31, 2021.

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, 2021 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 \$12,952,083, for the year ended December 31, 2021.

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, 2021. 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, 2021 totaled \$10,259.

Note 10 - Rent

Monthly transfers of \$2,200, or \$26,400 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 - 2022 Budget

Water

	2021 Budget	2021 Est. Actuals	2022 Budget
Water Revenue (w/o capital)	\$846,279	\$877,752	\$897,149
Residential	\$418,192	\$440,000	\$447,246
Commerical	\$175,215	\$185,000	\$191,925
Irrigation	\$191,464	\$200,000	\$204,194
State Water (undeveloped shares)	\$61,408	\$52,752	\$53,784
Water Expenses	(\$852,668)	(\$816,126)	(\$895,174)
State Water	(\$426,600)	(\$383,026)	(\$383,399)
Operating Expense	(\$246,000)	(\$250,800)	(\$292,000)
Gen Admin Expense (50%)	(\$194,675)	(\$182,300)	(\$219,775)
	<u>\$14,607</u>		
Net Water Operational Earnings	(\$6,389)	\$61,626	\$1,975

	2022 Capital Fee \$
Water	\$266,004
Sewer	\$319,841
Total	\$585,845

Wastewater

	2021 Budget	2021 Est. Actuals	2022 Budget
Wastewater Revenue (w/o capital)	\$462,436	\$491,000	\$511,633
Residential	\$316,536	\$316,000	\$341,791
Commerical	\$137,631	\$165,000	\$157,028
Contract Customers	\$8,269	\$10,000	\$12,814
Wastewater Expenses	(\$454,175)	(\$440,900)	(\$511,275)
Operating Expense	(\$259,500)	(\$258,600)	(\$291,500)
Gen Admin Expense (50%)	(\$194,675)	(\$182,300)	(\$219,775)
Net Wastewater Operational Earnings	\$8,261	\$50,100	\$358

SMMWC Overall Operating Earnings	\$1,872	\$111,726	\$2,333
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2021 YE
Estimate
Minimum Target

Operational	State Water Reserve	Capital Reserves
\$200,000	\$265,000	\$4,400,000
\$70,000	\$210,000	\$4,000,000

**San Miguelito Mutual Water Company
Approved - 2022 State Water Budget**

State Water Reserves as of Dec 31, 2021	\$265,000	EST. Jan 2022 payment \$ 185,000		
State Water Reserves as of Dec 31, 2022	\$268,000			
Min Target	\$210,000			
		2021 Budget	2021 Est. YE	2022 Budget
Money Transferred to State Water Reserve Fund (226.81 AF/2017 82.475 %)		\$365,192	\$26,369.20	\$365,192
				\$329,615
Developer State Water Reimbursement (48.19 AF/2017 17.525%)		\$61,408	\$52,752	\$53,784
Investment Income, Late Fees, and Interest Income from SWR		\$3,000	\$4,500	\$3,000
		\$429,600	\$422,444	\$386,399
CONTRIBUTIONS to State Water Reserve				
DWR Charges for State Water - (275 AF)		(\$303,000)	(\$260,699)	(\$260,699)
DWR Charges for State Water Drought Buffer		(\$39,700)	(\$38,427)	(\$38,500)
DWR Pay-Go Cost ⁸		(\$7,700)	(\$7,700)	(\$7,700)
CCWA(O&M Wheeling-State Water Aqueduct to Lopez)		(\$41,200)	(\$41,200)	(\$41,500)
SLOFCWCD (O&M, Wheeling - Lopez to SMMWC)		(\$35,000)	(\$35,000)	(\$35,000)
		(\$426,600)	(\$383,026)	(\$383,399)
		\$3,000	\$39,418	\$3,000
PAYMENTS from State Water Reserve				
NET CHANGE to State Water Reserves				

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. Starting in 2021 SLO county Delta Conveyance Project study will be financed over the next 4 to 5 years.

San Miguelito Mutual Water Company
Approved - 2022 Capital Summary Reserve Report

	2021 Budget	2021 Estimated YE	2022 Budget
Capital Reserve Inflow			
Capital Reserve Fee Income (developed)	\$548,991	\$548,991	\$585,845
Capital Reserve Fee Income (undeveloped)	\$136,207	\$136,207	\$139,776
Investment Interest	\$30,000	\$50,000	\$40,000
Sycamore Capital Rent	\$45,420	\$45,420	\$45,420
SMMWC Office Building Rent	\$26,400	\$26,400	\$27,600
Total Capital Reseves Inflow	<u>\$787,018</u>	<u>\$807,018</u>	<u>\$838,641</u>
Capital Reserve Outflow			
System Infrastructure Projects	(\$473,000)	(\$473,000)	(\$496,500)
Special Projects	(\$70,000)	(\$30,000)	(\$800,000)
Total Capital Outflow	<u>(\$543,000)</u>	<u>(\$503,000)</u>	<u>(\$1,296,500)</u>
Net Capital Reserves	<u>\$244,018</u>	<u>\$304,018</u>	<u>(\$457,859)</u>

NOTES 2022

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, 2020 Depreciation Expense was about \$404,186.

3. Capital Reserve Fee Income (undeveloped) 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. 2022 Office building rent of \$2,300 per month is paid to Capital Reserves, which funded the building. By December 2021 we will have paid back \$177,600.

Monthly		
	Water	WW
2021	\$26.52	\$26.52
2022	\$27.00	\$29.00

San Miguelito Mutual Water Company
Approved - 2022 Capital Projects Report

System Infrastructure	Water/ Wastewater	Acct #	Staff/ Contract	Priority	Start QTR	Finish QTR	Capital Labor	2022 Budget Primary	Spent YTD	2022 Budget Remaining	Cost to Complete	Projected Total Project Cost	YTD Under (Over) Budget
<u>Water</u>													
Telemetry System Implementation Phase	W	1420.1	C	Med				\$19,000					
Meter Replacement	W	1430.1	S	Med				\$15,000					
Booster Pump Replacement	W	1431.1	C	Med				\$75,000					
Tank 100 Inspect & Refurbuse	W	1431.2	C	High				\$90,000					
<u>Wastewater</u>													
Telemetry System Implementation Phase	WW	1420.5	C	Med				\$19,000					
Docking Station & Sludge Removal WWTP	WW	1430.2	C	Def									
Replacement Aeration Equipment	WW	1431.5	C	Med				\$27,000					
Jetting Trailer	WW	1431.6		Low				\$45,000					
Security Fencing at WWTP	WW	1431.7	C	Med				\$35,000					
<u>Other</u>													
Vehicle Purchase w/Utility Bed & Crane								\$85,000					
Storage Building at Tank 400								\$65,000					
Preowned Golf Cart								\$6,500					
<u>Capital Labor Reimbursement</u>													
SYSTEM PROJECTS								\$15,000					
2022 Capital Projects Water/WW Totals							\$0	\$496,500	\$0	\$0	\$0	\$0	\$0

2022 Total Capital Projects

Special Projects	Water/ Wastewater	Acct #	Staff Contract	Priority	Start QTR	Finish QTR	Capital Labor	2022 Budget Primary	Spent YTD	2022 Budget Remaining	Cost to Complete	Projected Total Project Cost	YTD Under (Over) Budget
Well Treatment System	W	1431.3	C	High				\$750,000					
Design Upgrade at WWTP Per State Requirements	WW	1431.4	C/S	High				\$50,000					
<u>Capital Labor Reimbursement</u>													
SPECIAL PROJECTS													
Special Projects Totals							\$0	\$800,000	\$0	\$0	\$0	\$0	\$0

2022 Total Capital Projects

\$1,296,500

SAN MIGUELITO MUTUAL WATER COMPANY

RATE SCHEDULE

2022

11/19/2021

RESIDENTIAL - Shareholders

Water Rates	Monthly Availability Charge (includes capital reserve) 5/8", 3/4" & 1" residential meters	\$57.89
	Monthly Usage Charges (per 100 gallons)	
	0 gal. to 1500 gal.	\$0.000
	1,500 gal. to 10,000 gal.	\$1.180
	10,000 gal. to 50,000 gal.	\$1.490
	50,000 gal. & over	\$1.630
Sewer Rates	Monthly Availability Charge (includes capital reserve)	\$75.61

COMMERCIAL, IRRIGATION & CONSTRUCTION - Shareholders

Water Rates	Monthly Availability Charge (includes capital reserve) 3/4" or smaller meter	\$86.84
	1" meter	\$144.73
	1 1/2" meter	\$289.45 (hydrant mtr)
	2" meter	\$463.12
	3" meter	\$868.35
	4" meter	\$1,273.58
	6" meter	\$2,894.50
	8" meter	\$4,631.20
	Monthly Usage Charges (per 100 gallons)	
	0 gal. to 1500 gal.	\$0.000
	1500 gal. to 3500 gal.	\$1.180
	3500 gal. to 15000 gal.	\$1.490
	15000 gal. to 50000 gal.	\$1.630
Commercial Sewer Rates	Per 3000 gal. Water Usage (<u>minimum</u> charge \$69.16 - includes capital reserve)	\$75.61

CAPITAL RESERVE FEE - Shareholders

Monthly Undeveloped Shares (per share)	\$56.00
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MISCELLANEOUS MONTHLY CHARGES

Dormant Account Charge	\$86.89
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(during business hours 8am-3:30pm)	\$50.00
Reconnection Fee/Mtr Shut Off Non Pay(after business hours)	\$150.00
Return Check Fee - SW	\$25.00
Meter Testing (per occurrence)	\$130.00
New Meter Installations (standard installation 1" or smaller meter)	\$700.00
New Meter Installations (1 1/2" and larger meters and all meter downsizing)	Time & Material
Misc. Receivables	Time & Material
Copy Cost-Hard, Scanned or Emailed (1st. three pages free per mo)	.33 per page

TIME & MATERIAL RATES

HOURLY LABOR RATES	REGULAR (7 am - 3:30 pm)	AFTER HOURS (3:30 pm - 7 am)
General Manager	\$125.00	\$187.50
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 2021 there were no new residential water meters set. As of May 2022, our totals for meters and shares are as follows:

Meter Summary

Residential	634
Commercial	20
Irrigation	33
Construction/Hydrant	1
Total	688

Share Summary

Residential	635
Commercial	190
Inactive	216
Total	1,041

Water Production 2021 – Last year we produced 58,367,038 gallons (179 Acre Feet) of water. 124 AF (70%) was delivered by State water with the other 55 AF (30%) coming from our wells. Throughout 2021, we consistently blended our state water with our well water to provide a consistent, high-quality product. 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Residential	55%	58%	54%	54%	53%	56%	56%	52%	52%	55%	54%
Commercial	21%	17%	21%	19%	19%	22%	21%	21%	20%	20%	21%
Irrigation	22%	22%	21%	23%	24%	18%	18%	22%	25%	23%	23%
System	2%	3%	4%	04%	04%	04%	05%	05%	03%	02%	02%

Wastewater Collection, Treatment and Disposal – Our wastewater treatment plant processed approximately 27 million gallons (82 AF) of wastewater in 2021. Average Daily flows varied from a low of 66,145 gals per day in October to a high of 78,255 gals per day in July. Approximately 46% of the water produced ends up at the WWTP. This means that approximately 54% of the water produced is used for landscape irrigation and other consumptive uses.

State Water 2021/2022 – Due to a second year of low rainfall conditions the State Department of Water Resources reduced State Water allocations to 5% of the State Water Contractors “Table A” allocation. The Water Company’s Table A allocation is 275 AF and 275 AF of Drought Buffer, providing for 27.5 AF of State Water to be delivered to SMMWC in 2022. As of December 31, 2021, San Miguelito Mutual Water Company had 165 AF for stored “carryover” water exclusively available for our use. SMMWC has formally requested 120 AF of State Water for 2022. The difference between the amount requested the amount available in 2022 will be made up by from the SMMWC supply of stored carryover water. The Flood Control District estimates that they will have approximately 14,816 AF in combined storage at San Luis Reservoir at the end of the calendar year.

San Miguelito Mutual Water Company

Operations Report

2021

Systems Maintenance

Water Company Operations staff continued to implement an active preventative maintenance program that included painting and refurbishing pumps, hydrants, pipes, vents and electrical panels throughout the system. Staff continued to proactively remove tree roots from our sewer lines and conducted a system wide manhole inspection and repair program. Painting and replacement of deteriorating hydrants, air-vacs and sample tap facilities throughout the system continued as time permitted. One of the primary groundwater wells in the Avila Village area, Well 4A was videotaped, brushed clean and fitted with a new pump and motor assembly. Well 5A and 6A, also in the Avila Village area were outfitted with transducers that communicate water levels electronically on a 24/7 basis.

Capital Projects

The approved 2021 Capital Improvement Program budget included approximately \$204,000 for water system improvements and \$254,000 for wastewater system improvements. The major water projects included inspection, painting and replacement of the staff gauge at Tank 550, telemetry system improvements, water meter replacements and the clean-out of Tank 400. The phased improvements to the water system telemetry focused on better remote monitoring of necessary operational information such as well levels and flow rates.

The major wastewater system improvements included continued improvements to the wastewater collection system including meter projects at the Cherry Canyon Wastewater Treatment Plant and Lift Station #3 as well as the replacement of a pump at Lift Station #2. Upgraded to the telemetry systems for the collection system were also made in 2021.

Special Projects

SMMWC has been a participant in a grant funded effort to develop repair and improvement plans to the Marre Weir. The grant allocated funds to pay for an engineering firm to complete the plans to 65% for the Lower San Luis Creek Steelhead Habitat Restoration, Fish Passage and Seawater Intrusion Barrier Planning Project. The 65 percent plan submittal have been completed and some of the necessary permitting and associated reports have been complete. Funds will be required to complete the plans to 100% and to secure the required permits from the regulatory agencies involved.

Additionally, SMMWC Initiated and funded a substantial increase in the sampling and monitoring requirements for the Wild Cherry Canyon Wastewater Treatment Plant. On August 9, 2021, the Central Coast Regional Water Quality Control Board issued Monitoring and Reporting Program (MRP) No. 95-57 outlining new sampling and reporting requirements for the Wild Cherry Canyon WWTP. In response, the Board of Directors allocated \$50,000 to the budget for this new mandate.