

**SILVER SPRINGS MUTUAL WATER COMPANY
BOARD OF DIRECTORS & MEMBERSHIP
ANNUAL MEETING MINUTES
MARCH 19, 2015**

President Peek called the Annual Membership Meeting to order at 4:10 p.m. at 2485 Ft. Churchill St., Silver Springs, NV.

Roll Call:

- Present: Claud Butler, Joyce Jenkins, Scott Keller, George Peek and Peggy Yon.
- Absent: Darlene Geurts and Avis Moniz.

Member's Comments

- Valerie Messaros spoke to annual meeting minutes for 2013 and 2014.
- Jim Breedlove spoke to the time meetings are held.

Introduction of Nominees:

- Each nominee was afforded two (2) minutes to introduce him or herself. Two (2) Directors seats are up for election. Nominations were opened October 1, 2014 and closed December 31, 2014. SSMWC received the following five (5) nominations for the two vacancies, listed in the order received: Darlene Geurts, Claud Butler, Edward Ellis, Douglas Frenton and Larry Boyce. Each of the nominees introduced themselves (with the absence of Darlene Geurts due to illness and withdrawal of nomination by Edward Ellis due to an anticipated move).

Placing of Ballot Box & Voting for Directors:

- Voting will start after placing of ballot box and will end at approximately 4:45 p.m..
- Voting commenced after placement of the ballot box. An approximate five minute intermission was held while the majority of member's ballots were being placed in the ballot box by members who were queued-up to deposit their ballots.

Secretary's Report:

- Secretary Butler noted copies of the meeting minutes from the January 15, 2015 Board of Directors meeting were passed out in the back of the room and, unless anybody has corrections or additions, he would accept a motion to approve them. Vice-President Yon made a motion to approve the January 15, 2015 meeting minutes; 2nd to the motion was made by Member Jenkins. President Peek called for additions or corrections and there being none, motion carried unanimously. Approved minutes are posted on the internet (silverspringsmwc.com) to improve total communications with the members. Staff is available to answer any questions that may come up. Minutes for this meeting will be posted April 1st for members' comments. They will be online for 30 days for comments and suggestions. Emails and comments should be dropped off at the office or emailed to the Secretary by 4:00 p.m. April 30, 2015. At the next regular meeting, they will be agendized for action by the Board.

Treasurer's Report:

- Independent Certified Public Accountant Beth Kohn-Cole presented yearly audit report findings for the year ended December 31, 2014. "Because you received federal funds for the USDA loan and grant in excess of \$500,000.00 it was a special audit called a single audit, so that means there's even additional work that gets performed as part of that audit process to ensure the audit is in accordance with Government Auditing Standards. The audit opinion was an unmodified clean audit opinion which is what you want as members; we had no audit findings in connection with the federal grant either, so it was very clean and the Board and you want to know that. To briefly review the results of the operation for 2014, you generated approximately \$888,000.00 of revenue through water sales and grants, about \$120,000.00 of that was grants your expenses were approximately \$870,000.00 so you had an increase in your net assets of about \$19,000.00. If you pull that grant out you actually have a loss, but that's after depreciation, so there's always that issue, you have to fund your depreciation to cover improvements in the future and I always warn you about that, so I think it's a question to know, to know it shows a profit, it's after your grant of \$520,000.00 rounded". A complete copy of the audit was presented to management; highlights of its balance sheet findings were presented.
- President Peek noted it appropriate to welcome questions about financial aspects along with the CPA's relationship with the company after the presentation. "At the end of 2014 you had current assets of approximately \$530,000.00, \$360,000.00 of that was cash, \$118,000.00 of that was the grant receivable that you collected in this fiscal year. You have property, plant and equipment of 6.6 million dollars and that is being depreciated over time, and then you have other assets because USDA required that you fund some reserve for your debt service and to replace your short lived assets, so they require you put certain money aside so that when you need those funds they're there, and that is approximately \$280,000.00, so the water company has about 7.4 million dollars (rounded) in total assets. Your liabilities consist of current liabilities of about

\$279,000.00 and that is just a tiny difference on when some things were paid, especially in connection with the grants and the loans, and when you had to pay the contractors so that's why it's up from prior year a little bit. You have long term debt of approximately 2.1 million which is primarily the new USDA loan. Your equity is approximately 5 million dollars of which 4.4 million dollars is property, plant and equipment debt. \$206,000.00 is reserved funds, \$180,000.00 was the original contribution way back that was received and then about \$188,000.00 is designated for emergencies for water system improvements." President Peek indicated that when you start listening to those numbers it's a pretty good size company but when you see a truck or a building or two, it doesn't look like a lot, but the bulk of it, of course, is in the ground, pipelines, laterals, etc. General Manager McDonald noted that annual financial reports are not available on the web. Effective April 1st, each member may make an in-person request, complete an affidavit and receive one (1) free copy per year. If a member resides out of town and cannot come in, they can access the affidavit form online, complete it and send it to the office. CPA Beth Kohn-Cole answered questions from the membership for a brief period.

- Ten minutes remained to cast ballots.
- President Peek called for a motion to accept the Treasurer's Report and the annual statement as prepared by the CPA. Secretary Butler so moved; 2nd by Vice President Yon. Motion carried unanimously.

Legal Report:

- Attorney Charles Zumpft from the law firm of Brooke Shaw & Zumpft related in his status report that he has been quite busy last year and this year. Last year, Counsel was involved in a Public Utilities Commission (PUC) filing of docket number 14-30006. The PUC's involvement with that particular matter involved approval of the water tank; the PUC was involved as a practical matter and the PUC's approval was only related to environmental issues for the tank. That was the only issue that the PUC had to approve. The Silver Springs Community Water Protective Association (SSCWPA) intervened in that matter and contested it so that matter went forward as a contested proceeding, through a hearing and finally entertained by the Commission. The Commission approved the water company's application unanimously. Counsel's opinion is that the contest was unfortunate because the only issue the PUC had to entertain was the environmental impact of the tank. The reason that this was really a ministerial issue for the PUC is because the USDA had already issued what is called a FONSI (Finding of No Significant Impact) and that finding was, the PUC was bound to provide and honor that finding. So, with that, as already mentioned, the PUC passed that and allowed the tank project to go forward. The member's legal fees for that effort were \$19,171.00.
- The second item that Counsel undertook was also contested at the PUC under its docket number 14-07032. That involved an annexation of about 11 parcels of property, some of which were owned by the company, the balance of which were requested to be annexed by the owners of the property. That matter too involved an intervention by the "Association" and went through a contested hearing at the Commission. That annexation application which was filed by the company was also approved unanimously by the Commission and that effort, also Counsel's opinion, was unfortunate to have to deal with, and that effort cost the members \$21,136.00 in legal fees and expenses.
- Finally, Counsel would not comment on the merits of this matter, but the pending matter that is before the Commission at the moment, and anybody who wanted one received a notice of hearing upon entering this meeting from (one) another member, docket number 14-11002. That matter is set for a contested hearing on June 23rd before the Commission in Carson City. That matter (because it is under submission and currently in the process) comment will not be provided on its substance other than it is a contest by a member regarding the corporate character of the company. To date, that matter in legal fees, costs and expenses has cost the members \$56,764.69; money spent on legal fees and expenses instead of pipes and wells. Questions concerning the legal report were open for comment.
- Two minutes remained to vote.
- President Peek noted from a dollars and sense stand point (due to "interventions" which has so far on the first two items received unanimous PUC approval) it is almost \$100,000.00 or nearly \$100.00 per customer.
- Balloting was announced closed by General Manager McDonald. Authorized personnel and selected observers were directed to the designated room to perform the ballot count.

USDA Rural Development Project:

- The walk through by USDA and SSMWC was done on March 11, 2015 and was the date the one-year warranty. Final payment may be made to the contractor upon Board acceptance (final inspection walk through) for the project. Vice President Yon made a motion to accept the USDA letter of acceptance for construction work performed; 2nd to the motion was made by Secretary Butler. Motion carried unanimously.

Discussion of Article XI, Rules, Regulations and Tariffs:

- General Manager McDonald related that each year, review of the Rules, Regulations, By-Laws and Fees is preferable. Last year, the Rules and Regulations were updated. They were posted online for comments. A number of comments were received and a number of them were implemented. The new fee schedule was updated and is on the web.. One of the things that were asked for by the members was people weren't being charged because their property was vacant. A letter goes out April 1st where these members will start being charged \$5.00 a month because the water company is still responsible to read that meter and to maintain that meter. The charge will appear beginning on bills issued June 1st. General Manager McDonald answered questions from the membership. A member spoke to gratefulness of Silver Springs as opposed to her property in Storey County where her charges are \$700.00. Clarification was provided as to how these

fees apply to given situations. A member made note that five dollars is a meal to a lot of people, so why not just put locks on the meters. General Manager McDonald responded that even though locks are on meters they still need to be read because locks are cut, just twice last year, and locks cost money. All meters are read, leak detection is therefore covered. President Peek spoke to the wealth of information in the Staff and the pending retirement of General Manager McDonald.

- President Peek directed the meeting to a recess to await vote results.

New Business:

- None.

Election Results:

- The meeting was reconvened from recess.
- Two (2) Director seats were up for election and Darlene Geurts, Claud Butler, Edward Ellis, Douglas Frenton and Larry Boyce were previously nominated and Edward Ellis withdrew his nomination. Vote count observers Philip Hosking, Valerie Messaros, Maureen Williams, Frankie Molarius and Legal Counsel Chuck Zumpft monitored the process, number of votes cast and validated the results. *Election results were:

Claud Butler	123	Larry Boyce	54	Edward Ellis	0
Darlene Geurts	112	Douglas Frenton	53		

A motion to certify the results of the voting as provided by count observers and personnel was made by Vice President Yon; 2nd to the motion was made by Member Keller. Motion carried unanimously.

Adjournment:

- Vice President Yon made a motion to adjourn the meeting; 2nd to the motion to adjourn was made by Member Keller. Motion carried unanimously. The Annual Meeting was adjourned at 5:22 p.m.. The next meeting for the Board of Directors is to be held at 4:00 p.m. on Thursday, May 21, 2015 at the SSMWC Office.

* There were 1,495 members eligible for the 2015 vote. A minimum of 150 members constituted a quorum of the membership (149.5%). A minimum of 117 members were represented via proxy. 117 proxy ballots and 57 non-proxy ballots were distributed. There were two ballots marked for one nominee only. There were 170 ballots marked for two nominees. There were 174 ballots distributed; two ballots were not voted, 172 ballots were voted and no ballots were invalidated (marked for more than two nominees.) 75 cumulative members, member representative(s) and/or entity representatives signed in through the screening area and attended in person.

Note: Voting eligibility is not the same thing as a 10% member quorum. Example #1: Husband/Wife own one property therefore entitled to one vote but both persons attend meeting. Example #2: Proxy submitted for one property but owned by multiple persons or multiple persons owning an entity. Example #3: An entity has more than one representative attend meeting.

"Silver Springs Mutual Water Company is an Equal Opportunity Provider and Employer."

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at <http://www.ascr.usda.gov/complaint.filing.cust.html>, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U. S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, DC 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.