

**SILVER SPRINGS MUTUAL WATER COMPANY  
BOARD OF DIRECTORS & MEMBERSHIP  
ANNUAL MEETING MINUTES  
MARCH 17, 2016**

President Peek called the Annual Membership Meeting to order at 4:00 p.m. at 2485 Ft. Churchill St., Silver Springs, NV.

Roll Call:

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

Member's Comments

- Member Jackie Picciani of Deodar Street has lived here 40 years and in recent years has seen an increase in water rates. She indicated there is a need for real quality water that isn't tainted with pollutants of any kind, all the while maintaining infrastructure. To that end, SSMWC needs a real dependable source of revenue to make that happen although not by increasing the allotment of gallons. She felt it appropriate having everyone hooked up to the system to pay some type of annual fee that can be applied toward infrastructure. SSMWC had examined this idea and has implemented a monthly fee for every meter, whether or not actively used to cover maintenance requirements.
- Member John Chiappone of Atkins Street spoke to frustration of false rhetoric spread by individuals bent on misinformation about SSMWC supposedly installing meters on private wells. He wanted to know about the people, what they're doing, why they're doing it and if it is going to be resolved. He asked if after a resolution if water rates could be lowered but he acknowledged it is costing the membership. He repeatedly hears rumors about water meters supposedly going on private wells. Mr. Chiappone complimented the water company on what it is doing, the employees, the girls in the office, all for doing a very nice job. He asked if the company was in the red or the black and when it was founded. For 2015 operations, SSMWC is in the red due to the mischief instigated by an individual and others.
  - Vice President Keller advised that only the State Division of Water Resources has the right to place a meter on a private well via a whistleblower's report of overuse. SSMWC does not put meters on private wells.
  - Member Yon suggested that he attend their gatherings to know what they are saying in their meetings.
  - President Peek noted that the water company was founded in the early 1950's and was later imparted to the members.

Member Randall Green of Pueblo Street wanted to know if the service area is planned for expansion by SSMWC and stated not everyone in the service area is connected. SSMWC has expressed at Annual Meetings that it does not expand the water service area except upon request. There is an extremely large fiction that SSMWC is going to take over the whole valley. Property owners who desire inclusion in the service area bear the cost and pay their own way and pay a mandated per acre fee to come into the system. The action at the Public Utilities Commission is also paid by them.

Member Stephanie Wozniak of Deodar Street spoke to older infrastructure suggested a workshop to display and discuss water piping mechanics, composition and age of infrastructure. Also suggested was assistance to other groups in Silver Springs to identify meters that have not been in operation 10 years or more. Questions regarding infrastructure and policies should be directed to the General Manager. Most piping in the system consists of PVC and water composition is detailed in annual Consumer Confidence Reports available online or in the office. There are no lead lined mains or service connections in the water system.

- President Peek thanked everyone for their participation and water conservation efforts in 2015.

Introduction of Nominees:

- Nominations were opened October 1, 2015 and closed December 31, 2015. Each nominee had the opportunity to speak and introduce him or herself. Three (3) Directors seats were up for election with one seat for special election. SSMWC received five (5) nominations for three (3) vacancies: Larry Boyce, Douglas Frenton, Scott Keller, George Peek and Peggy Yon. Charles Noble was nominated and ran unopposed for special election on a vacated term ending 2018. Each nominee introduced themselves to the gathering except for Mr. Frenton who was not present.

Placing of Ballot Box & Voting for Directors:

- Voting began after sealing of the ballot box and two members volunteered to witness the count.

Treasurer's Report:

- Independent Certified Public Accountant Beth Kohn-Cole presented clean audit report findings. The audit process ensures that findings are within the standards of government auditing practices. The audit opinion was a "clean" audit which means it is an unmodified opinion and is what you want; there were no problems - no exceptions. The result of the operation for 2015 was that total current assets, which consist primarily of cash, time certificates of deposits and receivables, were

approximately \$300,000.00. Property and equipment was approximately \$6.6 million and that consists of the water system and the buildings. Other assets are restricted cash, and in accordance with your loans and grants with the State, you are required to put aside certain amounts of cash for replacement of short lived assets and customer deposits and debt service; it totals approximately \$360,000.00. Total assets are rounded at about \$7.2 million. There are current liabilities at approximately \$102,000.00 consisting of normal accounts payable for operating expenses, accrued payroll and customer deposits - the money you bring in is not your revenue, it's a deposit. Those liabilities again are about \$102,000.00. There is long term debt of about \$2 million for total liabilities of about \$2.2 million and so the net equity of the water company is approximately \$5 million. Of that \$5 million, almost \$4 million consists of the buildings and the water system than of related debt - that is not all liquid cash, it's mostly fixed assets. The operating results, based on revenue and expenses, were total revenue of about \$939,000.00 and of that figure almost \$150,000.00 was related to grants. Total expenses were about \$990,000.00 and a loss for the year of about \$51,000.00. If you pulled out that grant revenue that was used for the water system and not for operating expenses - it was used for fixed assets - you'd have a loss of almost \$200,000.00 this year, a very significant loss. A section of the audit report contains footnotes to the financial statements and these are the basic accounting policies of the water company. These footnotes were consistent based on the nature of the operations i.e. what you do, how your fixed assets of property, plant and equipment is depreciated and it discloses long term debt and when those notes have to be paid. The footnotes also disclose potential uninsured cash which was only about \$300.00 which means SSMWC has done a good job putting funds into separate bank accounts to ensure it's protected by the Federal Deposit Insurance Corporation (FDIC). The detail of expenses shows non-re-occurring types of expenses. Again, operating expenses were about \$990,000.00 and of that figure, almost \$187,000.00 was related to legal and accounting fees. Of that \$187,000.00, \$171,000.00 was from non-re-occurring operating costs. So for instance, the CPA was paid an extra \$7,000.00 to deal with an Internal Revenue Service (IRS) audit. For everyone's information, the IRS audit came back completely clean - there were no problems. The IRS required a lot of information and that information had to be compiled and provided and there were meetings and it required a lot of time. This is a non-re-occurring type of cost. The other \$164,000.00 of the \$171,000.00 had to do with legal costs. Noted was that depreciation is always something important to be concerned about and, over the past years, the water company has done a good job of funding depreciation and so, as things need to be improved, there is cash there to make those improvements. The total of depreciation for the year is set at about \$209,000.00 but, with your loss, the water company hasn't been able to fund the depreciation. In addition, because the water company is a utility it requires a higher level of audit process, one that is done according to Government Auditing Standards. If there is any material weakness, it must be brought to the attention of the Board, the members and the public. Again, no material weaknesses as a result of this audit were found.

- President Peek noted the non-challenged bookkeeping and un-modified audit also using this point to congratulate the staff on the conscientious work that they do; they do a tremendous job handling the funds and accounting for the funds. Further, expenditures exceeding revenue was \$199,444.00 just this year. The IRS agent conducted an audit because of a "whistleblower" report not because SSMWC had done anything wrong.
- Discussion about the substantial unnecessary expenses as a direct result of Complainant Frankie Molarius at the Public Utilities Commission (PUC) with Intervener Silver Springs Community Water Protective Association (SSCWPA) was held. Substantial unnecessary expenses were a direct result of that mischief and that burden is neither reasonable nor appropriate. President Peek called for questions and there being none, he called for a motion to accept the Treasurer's Report / Annual Financial Statement as prepared by the CPA. Member Yon so moved; 2<sup>nd</sup> was by Member Noble. Motion carried unanimously.

#### Secretary's Report:

- Treasurer Moniz read the January 21, 2016 Board of Directors meeting minutes into the record (see attachment). Two minutes remained to cast ballots during this reading. President Peek called for discussion, additions and/or corrections to the reading of the minutes. There being none, Member Yon made a motion to accept the January 21, 2016 meeting minutes as presented; 2<sup>nd</sup> to the motion was made by Vice President Keller. Motion carried unanimously. Approved minutes are posted on the internet ([silverspringsmwc.com](http://silverspringsmwc.com)) to improve total communications with members. Staff remains available to answer any questions. Minutes for the Annual Membership Meeting are to be posted April 1<sup>st</sup> for members' comments and appear online for a 30 day period. Comments should be dropped off at the SSMWC office or emailed directly to the Secretary at [cbutler@silverspringsmwc.com](mailto:cbutler@silverspringsmwc.com) by 4:00 p.m. April 30, 2016 and then will be agendized for action by the Board at the next regular meeting of the Board of Directors.

#### Legal Report:

- Attorney Charles Zumpft from the law firm Minden Lawyers, LLC presented the legal status report. Attorney Zumpft reviewed the action that was brought before the PUC back in late 2014, assigned PUC Docket #14-11002. Complainant was Frances Molarius; Respondent was The Silver Springs Mutual Water Company. The Silver Springs Community Water Protective Association (SSCWPA) joined as an Intervener and those were the parties to that action. The complaint made a variety of allegations of wrongdoing by the water company and its operations. Attorney Zumpft related difficulty being succinct on the exact allegations because the complaint was so poorly drafted, it took a lot of work just to understand, when you could, what was being complained of. The matter went through the full administrative process, many hearings were held and public hearings were held, a variety of attorney practices, motions, etc. to focus the issues, which were mostly successful. The hearing master ultimately made a proposed opinion for the PUC's consideration and approval of which the

PUC did approve and adopt at a public meeting. Essentially, the PUC order dismissed the complaint filed by Ms. Molarius. Ms. Molarius then sought to have the Commission reconsider its decision, which it did, and following re-decision, it again dismissed Ms. Molarius' complaint against the water company. The Attorney's fees related to that matter paid by the water company during the year 2015 amounted to \$141,910.31 and in addition, there were \$1,986.00 in costs associated with that effort. Ms. Molarius has since exercised her right and filed for Judicial Review in the Third Judicial District Court of Lyon County. Judge Aberasturi has been assigned that matter. The matter is presently pending. Judge Aberasturi granted Ms. Molarius a couple of concessions; he had originally ordered that her brief comply with the rules of appellate procedure which limit her brief to 30 pages and her brief was about 180 pages. SSMWC complained about that - Judge Aberasturi, rather than make her file a new brief, agreed that he would consider it as written, a tough read. The PUC General Counsel is assigned to defend the Commission's decisions and they have filed their brief and SSMWC joined their brief. There wasn't much function in doing anything over and above their brief; it was succinct and to the point and saved a lot of fees not filing our own separate independent brief. To respond to a brief that's 180 pages long is very daunting and the PUC's General Counsel did it well. Another bit of latitude that Judge Aberasturi granted to Ms. Molarius is that by the statute that applies to these types of reviews, she is not allowed to file a reply brief. He gave her the opportunity to file a reply brief and that is pending now. Once the reply brief is filed the briefings will be closed, there is no trial, the Judge will take it under submission and a hearing may be ordered. If a hearing is ordered, which is doubtful and once it is completed, he will issue his decision. His options are to affirm the Commission's finding, which is likely as it is a very high burden for a person challenging an administrative decision to have it changed by a District Court, but it is possible. His other option is to remand it back to the PUC for whatever he believes was missed or mistook or he can enter orders, which is very uncommon, telling the PUC what exactly it has to do. And, if Ms. Molarius is dissatisfied with the District Court's decision, Ms. Molarius has the right to file an appeal with the Nevada Supreme Court, which is her right. Attorney Zumpft expressed that the entire process was very unfortunate in that the complaints were based upon, and fostered by, Ms. Molarius and others through misinformation like, for example, the scares about trying to make people meter their wells, trying to force people to connect to the system, trying to force annexations - all of which are just the stereo-tactics and not based in fact. This was the third of three matters SSMWC has had to deal with as a result of actions filed either by Ms. Molarius and/or the SSCWPA. All have been resolved favorably to the water company - and unfortunately at great expense.

- Discussion followed that included member Molarius' mischief that has cost nearly \$200,000.00 for purely absurd reasons. Ms. Molarius attended and offered no comment except to rise and bow. Noted was that every case that has been brought against the water company has been resolved 100% in its' favor. No calls have been received by the Chairman concerning staff improprieties or complaints of any nature concerning operations. He commended staff for their excellence.
- Balloting was announced closed at 4:45 p.m. and personnel with member observers were directed to perform the count.

Water Rate Review:

- Discussion concerning the upcoming rate review to be conducted by Farr West Engineering was held. The membership was encouraged to participate in this process and provide their input. Necessary revenue to operate the cooperative is to be implemented. President Peek directed the meeting to recess to await ballot results.

New Business:

- None.

Determination of Election of Directors:

- The meeting reconvened from recess. Member ballot count observers were Arthur Jenson and Jackie Picciani. Legal Counsel Chuck Zumpft monitored the process and answered questions from the member observers. Member observers validated and certified accurate the number of votes cast and election results, which were:

Scott Keller	118	Peggy Yon	124	Larry Boyce	18
George Peek	119	Charles Noble	128	Douglas Frenton	15

Adjournment:

- The Annual Membership Meeting was adjourned at 5:31 p.m..
- The next meeting for the Board of Directors is to be held at 4:00 p.m. on Thursday, May 21, 2016 at the SSMWC Office.

"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](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](mailto:program.intake@usda.gov).

**SILVER SPRINGS MUTUAL WATER COMPANY  
BOARD OF DIRECTORS  
MEETING MINUTES  
JANUARY 21, 2016**

President Peek called the meeting to order at 4:00 p.m., 1315 Lahontan Drive, Silver Springs, NV.

Roll Call:

- Present: Claud Butler, Joyce Jenkins, Scott Keller, Avis Moniz, Charles Noble, George Peek, \*Peggy Yon.
- Absent: None.

Member's Comments:

- No other members attended the meeting.

Secretary's Report:

- Secretary Butler presented the Secretary's Report. There being no corrections, additions or deletions, Treasurer Moniz made a motion to accept the November 19, 2015 meeting minutes as presented; 2<sup>nd</sup> to the motion was made by Member Jenkins. Motion carried unanimously.

Treasurer's Report:

- The financials for October and November, 2015 were read by Treasurer Moniz. In October, total current assets were \$652,408.99 with current liabilities at \$79,969.75, long term liabilities of \$2,153,266.15 and total liabilities at \$2,233,235.90. Total liabilities and equity were \$7,131,960.99. Total income for October was \$65,402.28; net income was \$7,489.73. President Peek called for comments or questions. November ended with \$644,271.18 in total current assets with current liabilities at \$69,818.05, long term liabilities of \$2,145,973.15 and total liabilities at \$2,215,791.20. Total liabilities and equity were \$7,108,864.69. Income was \$59,913.34 with net income at (\$5,651.60). Discussion was held to loans and interest rates. Secretary Butler made a motion to accept the Treasurer's Report as presented and file for audit; 2<sup>nd</sup> to the motion was made by Charles Noble. Motion carried unanimously. The combined ending balance on Certificates of Deposit and regular savings was \$323,803.26. Discussion was held to maturities.

Manager's Report:

- There have been no new enrollments in the equal pay program; nine (9) owners continue to meet enrollment standards.
- 122 payments have been processed through SOFTtelPay since November's reporting period.
- Temperatures have been quite cold; customers that have failed to prepare for winter have been experiencing the consequences. One customer's pipes froze and broke and when they attempted to shut off our meter, it broke our valve. Technicians have repaired it and this customer has been assessed (according to our Rules and Regulations 1.04.050) a \$250.00 fine. The 4<sup>th</sup> phase of the meter/register order has been received and as weather allows the field crew performs installations. Continuing are weed burns at SSMWC sites along with preventative maintenance at treatment and booster facilities. There was an emergency dig for a main leak that surfaced on the corner of Spruce Avenue and Ft Churchill Street.
- Water quality testing was performed at the Powell Ranch well as part of the State Revolving Fund forgiveness loan. It resulted in arsenic and nitrate levels being above the Maximum Contaminant Level (MCL). As pumping progressed into the day water quality improved however, the lowest concentrations collected after 4 ½ hours of pumping were arsenic at 12 mg/L and nitrate at 14 mg/L, similar to Deodar well performance. Two nearby domestic well samples resulted in 15 mg/l and 17 mg/l for arsenic, respectively. Pacific Surveys, LLC is scheduled to conduct a "spin survey" at the Deodar well site and once the well logging is complete, Boart Longyear will punch a two inch test hole down to the bedrock, collecting samples at various levels. General Manager Martensen answered questions from the Board. (\*Peggy Yon entered the meeting.)
- Legal has been directed to file a statement of intent to participate in the judicial review process.
- The Community Development Block Grant (CDBG) funded Water Resource Development Plan is final and complete having been prepared by Dr. Kirk Swanson PhD, Senior Hydrogeologist, Farr West Engineering. Dr. Swanson is scheduled to attend the January 28, 2016 workshop.
- Farr West Engineering (FWE) will be assisting in water rights planning administration. It will focus on maintaining existing water rights to their full potential and provide support to address Board concerns. FWE will formulate a plan

for the future to guard against any ill effects that may come about as a result of new legislation. Studies are being prepared to come before the 79<sup>th</sup> Session of the Nevada Legislature in 2017 regarding Nevada State Water Law. Efforts will be geared towards all issues related to water resources in this State, such as over allocation of Basin 102. This assistance is to provide for a proactive plan that ensures SSMWC will be able to serve our members well into the future.

- The Nevada Department of Transportation (NDOT) is planning to widen US 50 from Chavez Road in Stagecoach to the Junction of US 95A in Silver Springs. Preliminary plans have been reviewed to verify that none of our facilities are in conflict with their project. SSMWC has requested two sleeves as the new highway is constructed to allow for two future water line crossings located at the entry to Silver Springs Airport and at the intersection of Carson Street.

#### 2015 Independent Audit:

- Secretary Butler made a motion to accept and sign the contract offer by Kohn & Company LLP to perform the annual audit of financials; 2<sup>nd</sup> to the motion was made by Vice President Yon. Motion carried unanimously.

#### Election of 2016 Officers:

- Avis Moniz nominated Claud Butler for Secretary; Scott Keller provided the 2<sup>nd</sup> to the motion. Secretary Butler indicated a willingness to serve in the position. There being no other nominations for Secretary, motion carried unanimously. Avis Moniz nominated Charles Noble for Treasurer; Peggy Yon provided the 2<sup>nd</sup> to the motion. Mr. Noble declined the nomination. Motion did not pass. Claud Butler nominated Avis Moniz for Treasurer; Peggy Yon provided the 2<sup>nd</sup> to the motion. There being no other nominations for Treasurer, motion carried unanimously. Peggy Yon nominated Scott Keller for Vice President; Avis Moniz provided the 2<sup>nd</sup> to the motion. There being no other nominations for Vice President, motion carried unanimously. Peggy Yon nominated George Peek for President; Charles Noble provided the 2<sup>nd</sup> to the motion. There being no other nominations for President, motion carried unanimously.

#### Nominated Directors:

- Nominations for the director seats were opened on October 1, 2015 and closed on December 31, 2015 as stated in the by-laws. Five (5) nominations for three (3) open positions were received; Larry Boyce, Douglas Frenton, Scott Keller, George Peek and Peggy Yon. Nominated for special election was Charles Noble for the remainder of the term formerly held by Darlene Geurts that is set to expire in 2018. Discussion followed.

#### Directors Comments:

- Comments were noted regarding growth, water rights, future well sites, financial health and safety matters.

#### Closed Personnel Session:

- President Peek directed the meeting to closed personnel. Following a brief period, the Board returned from closed session.

#### Adjournment:

- The meeting was adjourned at 5:14 p.m.. The next meeting is scheduled for 4:00 p.m. on Thursday, March 17, 2016 at 2485 Ft. Churchill Street, Silver Springs, Nevada.

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