

Gran Mutual Water Company

Annual Meeting January 27, 2016

The End Zone
250 Cohasset Road
Chico, CA 95926

Called to Order at 6:02 PM by Randy Hill, President

Board Members Present: Marilyn Everett, CFO; Paul Krause, Vice President.

Board Member(s) Absent: Bill Beckett, Secretary; Judy Gargas McIntyre, Director

Guests Present: Diane Azevedo, Administrative Support; Kevin O'Shea, Water Master.

President Randy Hill introduced the Board members.

Stockholders (owners) attending including Board Members amounted to 8 plus 4 spouses for a total of 12. The ballots received for the election of new Board members totaled 51, two short of the number needed to meet a quorum.

A quorum of stockholders is required to take action at the annual meeting. A quorum is 53 stockholders. There was not a quorum present at the meeting. Pursuant to Section 2.08 of the Bylaws for Gran Mutual Water Company, an adjourned meeting was rescheduled to February 18, 2016 at Nash's Restaurant.

The Minutes of the 2015 Annual Meeting were distributed to owners present. There was one correction suggested. The minutes will be approved by the Board by email and posted on the website: granmutual.org.

Financial Information:

Marilyn presented an overall view of the financial condition of the company. She provided owners present with a 5-year statement of revenue and expenses for the operating account and reserve account through December 31, 2015.

The December 31, 2015 statement of revenue and expenses for the operating account shows total revenue of \$194,332 and total expenses of \$109,776, leaving net income before transfers of \$84,556. Beginning cash at January 1, 2015 was \$15,159 plus net income of \$84,556 less transfers to the reserve account of \$81,157 leaves a cash balance of \$18,558.

The reserve account had a beginning balance on January 1, 2015 of \$330,306 plus interest income of \$445 plus the transfers of \$81,157 leaves a balance of \$411,908 at December 31, 2015.

The combined total cash of both the operating account and the reserve account is \$430,466 at December 31, 2015. The balance sheets for December 31, 2014 and 2015 show total assets of \$1,043,229 and \$1,096,738 respectively, which equals the net assets.

Revenue was up due to the number of homes that changed title, which resulted in an increase in water meter fees collected and more transfer fees. The average monthly amount received for water per home is \$128, which is the same as in 2014. PG&E bills remain the largest expense, which costs an average of \$2,857 per month in 2015 compared to \$3,038 in 2014. There was an increase in expenses due to the water line replacement in Skansen for \$13,529.

Marilyn presented a 2016 budget, estimating that the total income for 2016 should be \$168,200 and the total estimated expenses of \$102,600, leaving an estimated net operating income of \$65,600, all of which will be transferred to the reserve account. Water meter fees collected and the meter cost were not budgeted as the number of home that will transfer title is difficult to estimate.

There was also a budget for capital replacement. The capital project in Spanish Gardens, phase 1 is estimated to cost \$150,000 and will occur in 2016. That will leave a reserve balance of \$327,000.

Other Information

Kevin addressed the installation of meters, advising that he was replacing the meters with Radio Reader to be able to read meters remotely. He also discussed the tasks that were completed during 2015.

Kevin reads the meters that are installed each month and compiles a report that shows the total water pumped by each metered lot and in total. The average use in 2015 decreased compared to both 2014 and 2013. Kevin will be working on a water rate analysis for the conversion to metered rates.

Plans are being made to upgrade the exposed pipeline in Spanish Gardens. The project will be done in two phases and the projected cost is estimated to cost \$250,000.

Paul Krause presented the Capital Asset Replacement Estimates. This worksheet includes the components of the water system, date of the installation of the component, cost, estimated remaining life and annual funding required to plan for the amount of reserve needed. The annual funding showed \$299, 019 needed each year. We are transferring about \$80,000 each year to the reserve account, which leaves a shortfall. The worksheet also values the system, which ranges between \$31,000 and \$41,000 for each lot.

There being no further business, the meeting was adjourned at 7:47 PM

Respectfully submitted:
William C. Beckett, Secretary