



WHITEHAWK RANCH

MUTUAL WATER COMPANY

2013 ANNUAL REPORT

APRIL 2014

WHITEHAWK RANCH MUTUAL WATER COMPANY

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2013 Annual Report to Members
April 2014

ITEMS:

1. Policies.
2. Board Members and Meeting Schedule
3. Water Treatment Plant Overview and Update.
4. Wastewater Treatment Plant Overview and Update.
5. Water Company Employees.
6. Financial Records.

ITEM # 1
POLICIES

1. Each water company shareholder shall be obligated to pay a minimum monthly standby fee of \$70.95. Shareholders of lots 14-20 in Phase I, which will never be connected to the wastewater system, shall be obligated to pay a minimum monthly standby fee of \$25.80. When a shareholder is issued a "Will Serve Letter" for their lot they are considered connected and Active members.

In lieu of the standby fees, Active Members will be charged a basic wastewater fee of \$83.46 (with the exception of Phase I, lot 14-20 members) and a water service fee of \$45.95. Active Members will also be charged for water usage. Water usage fees will be based on the average monthly water use from the previous 12 months that ended in September. Water usage fees for 2014 are based on the average monthly water use from September of 2012 through September 2013. Water usage fees are currently \$.009 per cubic foot up to 2,000 cubic feet, 2,001 cubic feet and over will be charged at \$.0113 per cubic foot. Members will be mailed payment coupons based on their average monthly use.

Commercial Members fees are: Basic Water Service \$45.95, Wastewater Fees \$286.59 and Commercial Members will be billed for water usage at \$.009 per cubic foot up to 2,000 cubic feet, 2,001 cubic feet and over will be charged at \$.0113 per cubic foot.

Basic Service and Usage Fees may vary in future years.

The current published base fee for water and wastewater connection service is \$1000 and \$3500 respectively.

In 2006, in order to support new subdivision development in community, the Mutual Water Company substantially increased its water and wastewater treatment and disposal capacities. Due to the high cost of these expansion projects, required specifically to support the new subdivisions, all lots in these new subdivisions will be required to pay an incremental fee of \$500 (water) and \$1500 (wastewater) over the published base fee.

As of November 1, 2006, all *new* Whitehawk Ranch subdivisions maps and their associated lots recorded with the Plumas County Recorder's Office will be subject to these incremental fees.

The Mutual Water Company Board established a "Special Use Rate" for the Graeagle Fire Protection District for the two lots the district owns in the Vistas subdivision. The "Special Use Rate" will be equal to the prevailing rates and connection fees for the residential property owners in the Vistas subdivision.

Base Connection Fees may vary in future years.

2. The Board of Directors of the Whitehawk Ranch Mutual Water Company has established a policy that Will Serve Letters requested by the Plumas County Building Department will not be issued until the Architectural Review Committee (ARC) has approved the plans submitted to them. The ARC will notify the Mutual Water Company in writing when Will Serve Letters may be issued. Before the Will Serve Letter is submitted, the connection fees and the incremental fee, if appropriate, described in the above policy will be assessed to the property owner.
3. The Board of Directors of the Whitehawk Ranch Mutual Water Company has established a policy

that all home sites must have a domestic water supply pressure reducer/regulator installed in the home site service line. The pressure reducer/regulator shall be installed to minimize the risk of possible high water pressure damage to plumbing fixtures in their homes and auxiliary systems such as irrigation systems and frostless hydrants/hose bibs connected to the domestic water service line. The water system at Whitehawk Ranch is a one-zone system with pressure varying according to elevation. Home sites in Phase I are exempt from this policy due to their elevation in the water system.

4. The Board of Directors of the Whitehawk Ranch Mutual Water Company has instituted a cross-connection control policy requiring auxiliary systems (landscape irrigation systems, etc.) install backflow prevention devices. The Mutual Water Company must approve all Backflow prevention devices. You may obtain a copy of this policy with specifications from the Mutual Water Company.
5. The Mutual Water Company upon two weeks notification by the property owner will install or re-install water meters. Please call the Mutual Water Company concerning meter installation.
6. Property owners are responsible all lines, valves, etc., beyond the discharge side of the meter. Members that requested and purchased meters larger than the standard ¾ inch and 1 inch meters are financially responsible for repair or replacement of their meters. All water consumption that registers on the roadside meter shall be subject to the current water rates.
7. The Mutual Water Company is the provider of wastewater treatment (sewage) for the project. Those domestic lots/units/dwellings connected to the wastewater treatment plant shall be billed for wastewater treatment, and said charges will be included with the water billing.
8. Home sites are required (at time of construction) to install a sewer cleanout at the property boundary, when connecting to the wastewater collection system.
9. Homeowners will refrain from dumping of possible toxic materials into the wastewater system. These materials include paint and petroleum based products (paint thinners, paint cleaners, stains), common kitchen greases and oils, sheet-rock compounds, and automotive products (oils).
10. Pursuant to the Mutual Water Company's governing documents, all assessments are due and payable on the 15th day of every month. Assessments may be paid early. An assessment is delinquent if payment in full is not postmarked by the 20th day of the month in which it was due, i.e., January payment is due January 15th and is delinquent if postmarked after January 20th. Each delinquent monthly assessment will be charged a late fee in the amount of \$10.00. Delinquent assessments shall also accrue interest from the date the assessment is delinquent at a rate of 12% per annum. Coupon booklets and late notices will be mailed to the Stockholders only. It is the Stockholder's responsibility to collect assessments from their renters.

Non-payment of water and/or sewer bills for two (2) consecutive billing periods shall be cause for removal or locking of the water meter. Monthly base and reserves fees will continue to accrue though services have been terminated, as will the current annual water use fees. No water meter shall be re-installed until all outstanding bills; fees and/or charges are brought current. Re-installation of a water meter shall require pre-payment of \$150.00 and may take up to two weeks to complete.

11. The Mutual Water Company charges a \$40.00 transfer fee to the Buyer upon the sale of property.

12. Pursuant to the Mutual Water Company's governing documents, all assessments and water charges shall be a lien upon lands on which the assessments or water charges are made from the time such assessments or water charges become due and payable, and if such assessments or charges become delinquent, such lien may be enforced by the following:

- (a) In the manner provided by law for foreclosure of mortgages of real property; or
- (b) By judicial action against the member who is delinquent in payment of such assessments or water charges.
- (c) If the lien is extinguished by the sale or foreclosure on the superior lien the member certificate shall be cancelled. The Mutual Water Company will issue a new share certificate upon receipt to the fee set for new members.

If a person's membership is withdrawn or terminated in accordance with this provision his or her equitable interest in this corporation may be forfeited.

ITEM # 2

Board Members and Meeting Schedule

Current Board Members are: Steve Ursenbach, President; Bill Davis, Chief Financial Officer; Earl Zeigler, Secretary of the Board; John Cavin and Bill Gilbert, Co-Vice Presidents of the Board.

Board Meetings are held on the Monday before the second Tuesday of each month at 4:30 p.m. at the Whitehawk Ranch Community Center, 1127 Whitehawk Drive Clio, CA 96106 (November through April meeting time changes to 11:30 a.m.)

ITEM # 3

Water Treatment System Overview

The Water Treatment Plant and a 150,000 gallon treated water storage reservoir were completed in the fall of 1991. Services to the homesites on Boulder Drive and South Meadow Drive (Phase I) were completed at that time. Service was extended to the homesites on Quail View Circle and Miners Passage (Phase II) in the spring of 1993. Services to the Whitehawk Ranch Luxury Townhomes on Deer Creek Crossing (Phase IV) were established in the spring of 1994.

Treatment Plant #1 was upgraded from 25 gallons per minute to 170 gallons per minute in the summer of 1994. This required the installation of a second filter, new plumbing, and the purchase of two (2) 170 gallons per minute pumps. Two pumps were purchased to ensure there would not be any problems in providing water to the project. (If one pump were to mechanically fail, this would not affect operation of the Water Treatment Plant.) The Developer paid for this upgrade.

Luxury Townhome services on One Horse Way and Bridle Path (Phase V) were completed in the summer and fall of 1995. Homesites on Black Bear Trail and Fox Tail Lane (Phases VI & VII) were added to the system in 1996 and 1997. Homesites on Saddle Ridge Road (Phase IX) were added in 1998.

The conversion of the 650,000-gallon irrigation tank to domestic water use was completed in the fall of 1998. This project required the addition of support structure and roof to meet Department of Health Service standards. The additions to the tank were also painted and plumbing changed to connect the larger tank to the distribution system. The tank was disinfected, required bacterial tests completed and added to the

system. The pump capacity of water treatment plant #1 is now 125 gallons per minute due to the higher elevation of the larger tank.

The Lodge and Ranch Parcel were added in 1999. Construction of a distribution line to the new Golf Course Maintenance area and possible homesites in the area was added to the system in 2000. Phase VIII, Unit I was added to the system in 2002. The second eight-inch distribution main through South Meadow that had been planned for several years was completed in 2002.

Phase VIII, Unit II, “The Vistas” was added to the system in the fall of 2006 and spring of 2007. The 200-gallon per minute water treatment plant expansion was completed in 2008 to accommodate new development of “The Vistas” in Phase VIII and “Hawk Ridge” in Phase IX. Phase IX, Unit 3B was added to the system in 2009.

Regulatory Authority over our water system reverted from Plumas County Environmental Health to the State of California, Department of Health in December of 2013. Our annual report will be presented to the State of California, Department of Health later this year. Our Permit to Operate is reviewed annually with the filing of our annual report.

The 2013 Consumer Confidence Report (formerly the Annual Water Quality Report to Members) is generally mailed prior to the Annual Meeting.

The Board of Directors of the water company has completed agreements with Mohawk Valley Ranch (MVR), the original ranch developer, and Highlands Golf LLC (Golf). Given the interdependencies of the three parties to these agreements, it took this much time to satisfactorily address all the issues and complete this process. The cost to purchase the water rights was \$30,000, paid from the reserves account. There were no costs associated with the operating agreement with Golf. With these agreements in place, the Board has clarified and secured the desired water rights at the ranch, identified ways to improve our water infrastructure that will result in better use of this resource, and established a fair allocation plan in the event of future water shortages. The \$30,000 will be repaid to the reserves account via a \$2.00 per month increase in the monthly water reserve fees assessed to each property owner in the community beginning January of 2014 and terminating in December 2017.

Projects for 2014 include:

1. Continued review and improvement of water source operations including installation of flow control valve(s) and flow measurement device(s).

ITEM # 4

Wastewater Treatment System Overview

Phase I of the Wastewater Treatment Plant was completed in the fall of 1993 to serve the Whitehawk Ranch Custom Homesites on Quail View Circle and Miners Passage. The Whitehawk Ranch Luxury Townhomes on Deer Creek Crossing were added in 1994. Extending services to the Whitehawk Ranch Luxury Townhomes on Bridle Path and One Horse Way was completed in the fall of 1995. Homesites on Black Bear Trail and Fox Tail Lane were added to the system in 1996 and 1997.

Phase II of the Wastewater Treatment Plant was completed in 1997. This phase consist of a 30,000-gallon per day package treatment plant. This is an extended aeration type treatment plant. This plant is considered one of the simplest and most effective at treating wastewater. The additional processing unit enables the wastewater facility to process an estimated daily flow of 52,000 gallons with expansions planned for future homesites.

Homesites on Saddle Ridge Road were added in 1998. Construction was completed on the service line and liftstation that services the Ranch Parcel, Community Center, Pool and Lodge at Whitehawk in 2000. Construction of a pressure service line to the new Golf Course Maintenance building and possible homesites in the area were also added to the system in 2000. Phase VIII, Unit I and Phase XI, Unit III were added to the system in 2002.

Phase VIII, Unit II, "The Vistas" was added to the system in the fall of 2006 and spring 2007.

The 50,000 gallon per day wastewater treatment plant expansion and 20,000-gallon per day of expanded disposal capacity (leachfields) was completed in 2008 to accommodate new development of "The Vistas" in Phase VIII and "Hawk Ridge" in Phase IX.

Phase IX, Unit 3B was added to the system in 2009.

In 2013 the California Regional Water Quality Control Board, Office of Operator Certification was given regulatory authority over all "private wastewater treatment facilities" to ensure all privately operated systems have qualified operators at the grade level necessary to operate the plant effectively. A survey of our system was conducted and our plant was classified as a Grade 3 treatment facility and therefore we will need a Grade 3 operator to oversee operations of our plant. Tom Vannoy is currently a Grade 2 Operator and will be working toward obtaining a Grade 3 Certificate this year.

Projects for 2013 included:

1. Limited expansions of the reclaimed wastewater pasture irrigation system.
2. Installation of "Soft Starts" on larger electric motors at WWTP that will ensure better operation during normal operations and backup generator operations.

Projects for 2014 include:

1. Continued operations and possible expansion of the reclaimed wastewater pasture irrigation system.

ITEM # 5

Your Water Company Employees

Tom Vannoy has been at Whitehawk Ranch for 25 years. He began his Mutual Water Company duties in the fall of 1991 when the water treatment plant was completed and began serving customers. The State of California, Department of Health Services, Office of Drinking Water certifies him to operate and supervise a water treatment facility. Tom is a Grade 2 Water Treatment Operator. Tom is also a certified Distribution Operator. A regulation of the Department of Health requires all surface water systems have a certified Treatment and Distribution Operator. The State of California, Environmental Protection Agency, California Regional Water Quality Control Board certifies Tom to operate and supervise a wastewater treatment facility. Tom is a Grade 2 Wastewater Treatment Operator and a Certified Pool Operator.

Antonio Ramirez has been at Whitehawk Ranch for 18 years. Antonio is being trained in all aspects of water system operation and maintenance and wastewater system operation and maintenance. Antonio has very good mechanical skills and is a great asset to the Water Company.

Sergio Monroy was hired full time in September of 2009. Sergio helps fulfill the services contracts with the Whitehawk Ranch Community Services District and Whitehawk Ranch Homeowners Association.

The Mutual Water Company has been contracted by the Whitehawk Ranch Community Services District to maintain the pool, landscaping, janitorial and some building maintenance and by the Whitehawk Ranch Homeowners Association for snow removal and some road shoulder maintenance.

If you have any problems or questions concerning your service, please feel free to call Tom on his cell phone at 530-394-7350 or the MWCO Office 530-836-4066. In case of emergency, you can call Tom at 530-394-7350; you can also email Tom at whrtom@yahoo.com.

ITEM # 6
Financial Records

Financial records are attached.

Whitehawk Ranch Mutual Water Company
Statement of Profit & Loss
January 1, 2013 – December 31, 2013

Ordinary Income/Expense

Income

Interest Operating Acct.	41.77
Interest Reserves	353.57
Connection fees	6,500.00
Regular Assessments Received	373,388.60
Assessments Past Due	6,221.59
Stock Sales	2,000.00
Other Income (contract services)	<u>71,834.50</u>

Total Income **460,340.03**

Expense

ADMINISTRATIVE COSTS

Administrative Support	4,583.12
Bank Charges	74.20
Bookkeeping Services	18,332.32
Education	0.00
Insurance	9,841.00
Office Supplies/Postage	2,036.96
Personnel	218,046.05
Subscriptions	714.09
Tax Preparation/Report	2,900.00
Taxes	1,594.36
Telephone	<u>2,509.57</u>

Total ADMINISTRATIVE **260,631.67**

OPERATING COSTS

Building Maintenance & Security	995.66
Chemicals	3,042.27
Electricity	26,288.26
Equipment	1,398.03
Equipment Maintenance	15,495.19
Honor Dumpster	2,927.20
Lab Fees	11,134.00
Meter materials	603.35
Minor System Repair and Maint	678.98
Permits and Fees	14,990.00
Propane	2,705.48
Safety and Health	1,750.13
Sludge Removal	9,625.00
Snow Removal Expense	136.87
Supplies	790.50
Unscheduled Expense	<u>776.02</u>

Total OPERATING COSTS **93,336.94**

Total Expense **353,968.61**

Other Income/Expense **106,371.42**

Other Income		
Dues Owed from Previous year	518.97	
Honor Dumpster	4,219.00	
Late Fees	1,492.18	
Paid from Reserve Account	64,375.74	
Stock re-issue fee	200.00	
Total Other Income	70,805.89	
Other Expense		
Address post projects	-386.86	
Connection fees trans to reserves	6,500.00	
Dues paid for a previous year	518.97	
Payable by Sewer Reserves	15,466.99	
Payable by Water Reserves	48,908.75	
Allocated Reserve Interest	353.57	
Allocated to Reserves	95,130.00	
Total Other Expense	166,491.42	
Net Other Income	-95,685.53	
Net Income		10,685.89

**Whitehawk Ranch Mutual Water Company
Statement of Reserve Accounts
for the 12 month period ending 12/31/13**

Reserve Accounts

Beginning Balance: Reserves	331,242.89
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Receipts:

Allocated from dues	95,130.00
Stock fees transferred	0.00
Connection fees	6,500.00
Interest: Reserves	353.57

Disbursements:

Sewer Reserves	15,466.99
Water Reserves	48,908.75

Ending Balance	368,850.72
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Balance of note owed to MWC (12/31/2012)	192,500.00
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Reserve Accounts (12/31/09)

Bank of America 6461	121,277.67
Bank of America 6466	103,761.53
Bank of America 1252	92,442.52
Plumas Bank CD	<u>51,369.00</u>
	368,850.72