

# SHEEP CREEK WATER COMPANY

## ANNUAL SHAREHOLDERS MEETING

(Informational Meeting Only)

May 15, 2021

SHEEP CREEK WATER COMPANY BOARD ROOM / ZOOM

**Sheep Creek Water Company**  
**4200 Sunnyslope Rd.**  
**P.O. Box 291820**  
**Phelan, CA 92329-1820**  
Office (760) 868-3755/Fax (760) 868-2174  
Email [sheepcreek@verizon.net](mailto:sheepcreek@verizon.net) / [www.sheepcreekwater.com](http://www.sheepcreekwater.com)

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN, that the Annual Meeting of the Shareholders of Sheep Creek Water Company, a California corporation, will be held virtually through Zoom or telephone conference, originating at 4200 Sunnyslope Rd Phelan, California, on **May 15, 2021 at 10:00 a.m.**, local time, for the following purpose:

The Sheep Creek Water Company Annual Shareholders Meeting will be held via teleconference or video conference due to the ongoing Covid-19 pandemic and related, state-imposed social distancing and maximum gathering size restrictions. The Board of Directors will hold the meeting at the Sheep Creek Company Office and Shareholders may watch and participate electronically in the meeting via Zoom or telephone conference. Consistent with action taken by the Board at the Regular Board of Directors Meeting on March 18, 2021, the Annual Shareholders Meeting will be informational only. No voting, either on proposals or Board positions, will occur, as the Company does not currently have the resources to ensure the integrity of remote or virtual voting. Election of members of the Board of Directors is postponed for a period of one year and the present Directors shall continue to hold their positions until that time. The login information and comment procedure is listed below.

### **REMOTE PARTICIPATION INFORMATION:**

#### **Dial-in**

(669) 900 6833  
Meeting ID: 830 9509 8251  
Passcode: 915594

#### **Zoom**

<https://us02web.zoom.us/j/83095098251?pwd=OUpxaWkyTkdlL3J4am1lVFR5d0VXdz09>  
Meeting ID: 830 9509 8251  
Passcode: 915594

#### **One-Tap Mobile**

+16699006833,,83095098251#,,,915594#

#### **Comment Procedure:**

- Participants will be muted until you are called on during the Open Forum/Public Comment.
- Participants will be recognized by the Zoom ID and asked if you have a comment.
  - If you do not have a comment, state “no comment.”
  - If you do have a comment, please state your name, where you live, and limit your comment to 3 minutes. After 3 minutes you may be muted so that others can comment.
- You may also email your comments to the General Manager at [sheepcreek@verizon.net](mailto:sheepcreek@verizon.net) by 4:00 p.m. on May 13, 2021. Your comment will be read into the record by the Board Secretary.

**OVER →**

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I. **Open Meeting**

- a.) Flag Salute & Invocation
- b.) Introductions
  - 1) Board Members
  - 2) Past Board Members
  - 3) Sheep Creek Water Company Staff

II. **Financial Update**

III. **Old Business**

- a.) System Update
- b.) SWRCB Compliance Order Update

IV. **New Business**

- a.) Source Capacity Project Update & Loan Repayment- Information Only
- b.) Consolidation of Sheep Creek Water Company with Phelan Pinon Hills Community Service District- Information Only

V. **Open Forum/Public Comment-** Under this item any member of the Board or Public may address the Board on any item relating to the company not listed on this agenda. However, the Board is prohibited under AB 240 from taking any action on an item not appearing on the agenda. Board president will call on each participant and at that time you have three (3) minutes to speak. **(SEE COMMENT PROCEDURE ABOVE)**

VI. **Adjournment**

# **SHEEP CREEK WATER COMPANY**

## **BOARD OF DIRECTORS**

**2020 2021**

**ANDY ZODY- PRESIDENT**

**KELLIE WILLIAMS- TREASURER / SECRETARY**

**LUANNE UHL- DIRECTOR**

**DAVID NILSEN- DIRECTOR**

**CHRIS CUMMINGS- GENERAL MANAGER**

April Chaplin - Administrative Secretary

Dorothy Zody - Administrative Secretary

Mike Siaz - Field Supervisor

Joe Tapia - Water Quality

Paul Pollard - Field Technician

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**AGENDA ITEMS OF THE ANNUAL SHAREHOLDERS MEETING**

**Agenda Item III a**

**System Update:** With Covid-19 affecting everyone's lives, Sheep Creek Water Company (SCWC) continued to move forward with upgrades and improvements to the water system. The field crew completed several Fire Hydrant and valve replacement jobs. Old stand pipes were replaced with new up to date fire hydrants. There are several more locations planned for 2021. The project to convert all regulator stations to stainless steel controls is near complete. Meter replacements are an ongoing effort with old service lines also being replaced to reduced leaks and water loss in the system.

Water levels are currently seeing little increase in water levels and pumping capacities. Water levels continue to fluctuate, but remain below normal. Water production from all sources has slightly increased the past year but remain below normal production. Well 3A which was installed in 2002 had a complete rehabilitation. The casing was scrubbed and the pumping equipment replaced. The pipework was brought up to the current standards. The new Well 11 has been completed along with the installation of automated controls (SCADA). Well 11 pumps directly into the system and is producing up to 300 gallons per minute (gpm) based on the water use of the customers. The water level in Well 11 has remained consistent. The Tunnel has seen a slight increase in water production, but continues to remain below normal. As of April 1, 2021 the Tunnel is currently averaging 133 gpm which is an increase of 10 gpm with SCWC's total production at 2,074 gpm. With water levels and production continue to be below normal, which means water allotments will remain. SCWC experienced years of dry winters and the area will need several years of above normal winters to recharge the water table.

**Agenda Item III b**

**SWRCB Compliance Order Update:** August 30, 2018, Compliance Order NO. 05-13-18R-002 was issued by the State Water Resources Control Board (SWRCB) Drinking Water Division. The SWRCB placed a service connection and building moratorium on SCWC. SCWC cannot place any new service connections or cannot issue any "Will Serve Letters" for any building permits. Due to the drought in California, SCWC's well levels and production declined and in June of 2016 well production dropped significantly. Again in 2018 well production dropped to a total of 502 gpm causing the SWRCB to issue a Source Capacity Violation due to SCWC unable to meet the required 10 Year Maximum Day Demand of 1,368 gpm. The MDD of 1,368 is based on the highest production in 10 years which was in July 2014. In order for SCWC to meet the required 10 year MDD, SCWC needs to increase production an additional 866 gallons per minute. Even with production increasing, the SWRCB is using SCWC lowest production when calculating the MDD.

During the Special Meeting of the Shareholders in August 2019, the Shareholders voted to drill wells as needed (up to four wells) to achieve compliance. SCWC submitted a corrective action plan to the SWRCB and was approved in January 2020 with an updated Compliance Order NO. 05-13-18R-002A1 issued March 17, 2020 with a compliance date of December 2023. In addition to the updated compliance order, the SWRCB required SCWC to complete a Financial Review and an Asset Management Plan. Both are available to view at <https://sheepcreekwater.com>

**Agenda Item IV a**

**Source Capacity Project Update & Loan Repayment- Information Only:** The Source Capacity Project was approved by the Shareholders in August 2019 to achieve Source Capacity Compliance. Following Shareholder approval, the Board began moving forward with the project. The company applied for a \$4,000,000

line of credit for the installation of up to four wells. Included with the line of credit was a \$410,000 loan to refinance the existing shareholder loans at a lower interest rate of 2.4%. Two parcels of land have been purchased for the installation of 2 wells and a third parcel is in a contract for a third well with the purchase of the land contingent on available water on the property. The California Environmental Quality Act (CEQA) work has been completed for two wells and possibly a well on the company's office property. A test well may be drilled at the company's office property. The CEQA work took approximately one year to complete and an additional document will need to be completed for the additional property that was purchased. If necessary the CEQA will begin for the additional property once we begin drilling the first two wells. At this time the line of credit has not been used as the expenses for the property purchases and the CEQA Consultant have been paid for with the Tier 3 overage charges. The next in person Shareholders meeting, the Shareholders will at that time vote on the payment options to repay the Line of Credit for the new wells. The line of credit has not been used and no voting for payment is needed at this time. At this time, the Source Capacity Project has been put on temporary hold due to additional consolidation opportunities with the Phelan Pinon Hills Community Service District.

## **Agenda Item IV b**

### **Consolidation of Sheep Creek Water Company with Phelan Pinon Hills Community Service**

**District- Information Only:** Sheep Creek Water Company (SCWC) was approached by Phelan Pinon Hills Community Service District (PPHCSD) in September 2020 regarding consolidation of SCWC into PPHCSD. PPHCSD stated there are additional funding opportunities available through the State Water Resources Control Board (SWRCB) Division of Financial Assistance (DFA) to fund the consolidation projects. The prior consolidation effort only allowed up to five million dollars in grant funding along with up to five million dollars in loans. The funding from the SWRCB DFA allows for significantly higher grant funding which will allow the Shareholders to sell the Sheep Creek Water Rights and give compensation for the shares along with the additional funding for system replacements and upgrades to the Sheep Creek District. A new well will be included with the funding which will be a benefit to the community. Upon future Shareholder approval of consolidation, the Shareholders would also need to approve to sell the water rights which would give the Shareholders compensation for their shares they own. The consolidation investigation is in the early stages and is currently in the grant process with a Technical Assistance provider with the SWRCB-DFA. As information becomes more available, updates will be posted on the Sheep Creek Website and updates will be sent to the Shareholders. Once more information is available to hold a vote, the item will be brought back to the Shareholders for a vote. If it is necessary, a Special Meeting of the Shareholders may be held and notice will be sent.

Below is a list the Board has put together as negotiations proceed forward:

- Compensation for Shares- Compensation will be achieved with sale of water rights
- Transfer water system infrastructure and property to PPHCSD
- Customers to be transferred into PPHCSD system at no additional cost or fees
- SCWC Customers to be integrated into PPHCSD
- All fees and rates for SCWC customers to be the same as PPHCSD customers
- Meter requirements and regulations to be the same for SCWC customers as PPHCSD customers
- Districts to operate as one and not two separate districts, all customers treated equal.
- Existing SCWC Employees to be protected and brought onto PPHCSD staff

Any question that you may have prior to the Shareholder Meeting can be emailed to the Sheep Creek Office prior to the meeting. Questions will be read into the meeting by the Board Secretary and discussed by the Board. Please check the Agenda for the question and comment procedure. Please feel free to join the Sheep Creek Water Company Board of Directors for an informational meeting and an update of the Sheep Creek Water Company.

**2020**

**FINANCIAL STATEMENT**

**SHEEP CREEK WATER COMPANY**

**FOR THE YEAR ENDING  
DECEMBER 31, 2020**

CECELIA J. CUMMINGS, CPA

6074 PARK DRIVE, STE 1  
P. O. BOX 1960  
WRIGHTWOOD, CA 92397

March 27, 2021

Board of Directors  
Sheep Creek Water Company  
P.O. Box 291820  
Phelan, CA 92329-1820

The Financial Report for the year ending December 31, 2020 which includes the Balance Sheet, Statement of Income and Expenses, Statement of Changes in Financial Position and accompanying footnotes for Sheep Creek Water Company has been compiled by us on an accrual basis. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles general 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.

Our responsibility is to conduct the compilation in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accounting. The objective of a compilation is to assist management in presenting financial information in the form of financial statement without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Cummings CPA

*Cummings CPA*

Wrightwood, CA  
March 27, 2021



**SHEEP CREEK WATER COMPANY**  
**Balance Sheet**  
**December 31, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash on hand		\$	390.00
Cash in DCB - Assessment			81,911.42
Cash in DCB - Capital Improvement			154,611.88
Cash in DCB - Checking			33,829.89
Cash in DCB - Savings			28,234.70
Cash in DCB - System Upgrade			38,153.60
Cash in DCB - Wells			99,459.77
Total Cash			<u>436,591.26</u>

Accounts receivable:

Water sales	\$	210,488.07	
Assessments		<u>0.00</u>	
			210,488.07

Inventory		136,268.59
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Prepays		6,827.00
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Returned Checks		<u>503.61</u>
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Total Current Assets	\$	790,678.53
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**PROPERTY AND EQUIPMENT**

Land - Phelan	161,093.99	
Land - LA County	85,261.18	
Land - Remove reservoir	87,174.13	
Land - Source Capacity	72,228.50	
.	<u>11,861,883.61</u>	
	<u>12,267,641.41</u>	
Less Accumulated Depreciation	<u>(6,234,870.83)</u>	
Net Property and Equipment		6,032,770.58

Total Assets	\$	<u><u>6,823,449.11</u></u>
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**See Accountant's Compilation Report**

**SHEEP CREEK WATER COMPANY**  
**Balance Sheet**  
**December 31, 2020**

**LIABILITIES AND STOCKHOLDERS EQUITY**

**CURRENT LIABILITIES**

Accounts payable	47,812.02	
Other current liabilities	1,010.00	
Payroll taxes payable	\$ 6,470.09	
Total Current Liabilities		\$ 55,292.11

**LONG-TERM LIABILITIES**

CNH Industrial Capital	2,722.34	
Vehicle loans	36,328.28	
CoBank Note Payable	358,091.98	
Total Long Term Liabilities		<u>397,142.60</u>
Total Liabilities		\$ 452,434.71

**STOCKHOLDERS' EQUITY**

Common Stock	10,000.00	
Treasury Stock	<u>1,416.85</u>	
	11,416.85	
Surplus - Assessments	4,804,647.61	
Surplus - Meter Installations	3,823,202.71	
Surplus - Wild Horse Canyon	57,029.39	
Replacement Well Funds	<u>1,067,501.50</u>	
	9,752,381.21	
Retained Earnings	(3,519,711.20)	
Net Income (Loss)	<u>126,927.54</u>	
Total Stockholders' Equity		<u>6,371,014.40</u>
Total Liabilities and Stockholders' Equity		\$ <u><u>6,823,449.11</u></u>

See Accountant's Compilation Report

**SHEEP CREEK WATER COMPANY**  
**Statement of Income and Expense**  
**December 31, 2020**

	<u>Amount</u>	
INCOME		
Water sales	\$ 1,383,758.26	
Penalties - water service	0.00	
Electrical Surcharge	0.00	
Stock transfer fees	1,944.00	
Reinstall/reconnect fees	600.00	
Construction meter use charges	101.72	
Inspection fee	0.00	
Water service adjustments	<u>(40,440.64)</u>	
Total income		\$ 1,345,963.34
OPERATING EXPENSES		
Advertising	40.00	
Auto and truck	12,425.13	
Bank service charges	136.04	
Bee removal	300.00	
Bonus	2,050.00	
Conferences and meetings	1,450.70	
Contract services	2,341.68	
Credit card charges	12,919.09	
Depreciation	278,694.32	
Diesel fuel	6,829.24	
Dues and subscriptions	5,622.31	
Employee benefits	486.90	
Employee retirement	24,769.45	
Employee training	448.89	
Insurance - bond	0.00	
Insurance - board health	24,784.66	
Insurance - commercial package	22,691.00	
Insurance - liability	0.00	
Insurance - staff health	83,816.49	
Insurance - workmans' comp	10,846.00	
Interest	17,135.53	
Internet access fee	0.00	
Lab tests and inspections	14,104.00	
Lease payments - pagers	110.44	
Lease payments - copier	2,514.13	
Lease payments - credit card machine	729.72	
Licenses and permits	2,175.66	
Loan fees	6,633.45	
Medical & safety supplies	937.98	
Notary service	50.00	
Office expense and supplies	21,301.44	
Outside services	0.00	
Postage	9,382.90	
Printing	147.83	
Professional - accounting	11,100.00	
Professional - engineering	17,221.75	

**See Accountant's Compilation Report**

**SHEEP CREEK WATER COMPANY**  
**Statement of Income and Expense**  
**December 31, 2020**

Professional - legal	43,116.25	
Rental - equipment	0.00	
Repairs and maint - inspections	0.00	
Repairs and maint - auto	4,678.41	
Repairs and maint - equipment	14,047.25	
Repairs and maint - general	38.17	
Repairs and maint - lines/meters, system	50,528.39	
Salaries - maintenance	191,398.80	
Salaries - management	90,468.30	
Salaries - office	102,453.92	
Salaries - phone stipend	2,389.77	
Small tools and supplies	439.13	
State water fees	1,326.00	
Stock purchase	929.00	
Taxes - payroll	31,939.48	
Taxes - property	16,832.17	
Telephone	4,242.27	
Uniforms	1,673.42	
Utilities - operating	5,837.41	
Utilities - wells	68,789.03	
Water transfer costs	0.00	
Water quality treatment	3,934.86	
Total Operating Expenses		<u>1,229,258.76</u>
		116,704.58
OTHER INCOME & EXPENSE		
Interest income - Assessment	51.73	
Interest income - Capital improvement	58.88	
Interest income - Checking	25.68	
Interest income - Savings	26.60	
Interest income - System upgrade	24.39	
Interest income - Wells	30.02	
Refunds		
Miscellaneous	398.26	
Insurance	1,140.00	
Payroll	8,665.44	
Lost certificates	569.96	
NSF service charges	32.00	
Service fees	0.00	
Total Other Income & Expense		<u>11,022.96</u>
INCOME (LOSS) BEFORE TAXES		127,727.54
Provision for State Income Tax		<u>(800.00)</u>
NET INCOME (LOSS)		<u>\$ 126,927.54</u>

See Accountant's Compilation Report

**SHEEP CREEK WATER COMPANY**  
**Statement of Changes in Financial Position**  
**December 31, 2020**

Financial resources, provided by operations:

Net income (loss)	\$ 126,927.54
Items which did not require the outlay of working capital:	
Depreciation - current year	278,694.32
Accumulated depreciation - assets disposed	<u>(4,575.44)</u>
	401,046.42

Working capital provided by project funds:

Increase (decrease) in paid-in capital:	
Assessments	60.00
Meter installation funds	<u>0.00</u>
Other changes to working capital:	
Decrease in shareholder loans	(405,219.99)
Increase in Note Payable	<u>358,091.98</u>
	353,978.41

Financial resources applied to:

Acquisition/completion of property and equipment	(219,378.88)
Company labor/equip applied to acquisitions	55,445.92
Increase in work-in-progress	28,142.00
Decrease in long-term vehicle loan	<u>(32,164.98)</u>
	(167,955.94)

Increase (Decrease) In Working Capital	<u><u>\$ 186,022.47</u></u>
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Summary of Changes In Working Capital By Components:

Current Assets	
Cash	\$ 155,131.26
Accounts receivable	(20,235.67)
Inventory	14,759.50
Prepaid expenses	7,108.06
Current Liabilities	
Accounts payable	21,093.67
Payroll taxes payable	<u>8,165.65</u>

Increase (Decrease) In Working Capital	<u><u>\$ 186,022.47</u></u>
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**See Accountant's Compilation Report**

**SHEEP CREEK WATER COMPANY**  
**Supporting Schedule**  
**For Balance Sheet**  
**December 31, 2020**

**PROPERTY AND EQUIPMENT**

Office buildings	\$	112,772.77
Building improvements		25,014.41
Building storage		17,059.29
Computer and software		20,875.96
Equipment - shop		32,341.80
Equipment - heavy		91,387.56
Furniture and fixtures		27,208.80
Vehicles		181,727.77
Lines		1,807,660.72
Line replacement		94,780.33
Meters		2,376,117.19
Tanks		2,225,067.87
Wells		3,043,938.56
Hydrants		530,516.91
Wild Horse Canyon		62,111.36
Master Plan		95,700.00
		<u>10,744,281.30</u>
Prior year work in progress		<u>1,117,602.31</u>
Total Property and Equipment	\$	<u><u>11,861,883.61</u></u>

**See Accountant's Compilation Report**

**SHEEP CREEK WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Inventories:

Inventories consist primarily of pipe and related parts necessary for line and meter installation and are stated at the lower of cost or market using the first-in, first-out method.

Property and Equipment:

Property and equipment are stated at cost. Depreciation is computed using the straight-line method for financial reporting purposes based on the following estimated useful lives of the assets:

	<u>Years</u>
Buildings	20 - 25
Equipment	3 - 7
Furniture and Fixtures	3 - 10
Vehicles	3 - 7
Water System	15 - 75
Wild Horse Canyon Master Plan	20 - 45

Prepaid Assets:

Prepaid items are those expenses that are paid in the current accounting period, but which the individual asset will not be consumed or recognized until the future year. As the asset is used, it is charged to an expense account.

The Company recognizes prepaid assets for expense items as software, dues and subscriptions, insurance, property tax and equipment deposits.

Income Taxes:

Federal Tax

No provision has been made for Federal Income Taxes as the Company is a non-profit organization exempt from Federal Income Tax.

State Tax

Bank and Corporation tax code, Section 24405, states that for mutual or cooperative associations all member income and any income from nonmembers received on a non-profit basis is exempt. Section 24425, provided that expenses associated with exempt income are not deductible. Section 24437 allows expenses related to member services only to the extent of member income. Necessary adjustments are made to eliminate this income and expense. Interest income is deemed to be taxable income and does not fall under the exempt code.

2. NATURE OF BUSINESS:

The Company engages in the business of providing the service of water to its' shareholders at cost.

**See Accountant's Compilation Report**

**SHEEP CREEK WATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2020**

3. PROPERTY PURCHASE

Source Capacity Project was approved by the Shareholders in August 2019. The Company purchased three parcels of land for new wells for a cost of \$60,500. One parcel for Well 13 is located on Mescalero Rd and two parcels located on Johnson Rd & Yucca Terrace Dr for Well 14.

4. LONG TERM LIABILITIES

EQUIPMENT

The Company purchased a skid loader from CNH Industrial Capital for \$91,387.56 and entered into an agreement in February 2016 for a five year payment plan with \$1,382.85 per month with an interest rate of 3%.

The Company purchased a Ford F150 work truck from Sunrise Ford for \$32,094 and entered into an agreement in July 2017 for a five year payment plan with \$548 per month with an interest rate of 4.85%.

The Company purchased a Chevrolet Silverado work truck from Performance Chevrolet for \$58,669 and entered into an agreement in June 2018 for a five year payment plan with \$913 per month with an interest rate of 4.69%.

NOTES PAYABLE

A shareholder and the Company have entered into an agreement in September 2016 for a loan to the Company in the amount of \$170,000 at 6% over five years with the first year's payments to be interest only and the principal to be paid over the remaining four years. The balance of \$127,899.78 was refinanced in September 2018 with an additional shareholder loan of \$300,000. The new balance of \$427,899.78 was approved at 6.50% over five years. The payments will be interest only for five years along with five annual principal payments each end of period of September. The liability is scheduled to be retired in September 2023. On June 2, 2020, the balance of \$342,320 was refinanced with a Single Advance Term Promissory Note with CoBank and the loan with this shareholder is paid in full.

A shareholder and the Company have entered into an agreement in December 2017 for a loan to the Company in the amount of \$100,000 at 5% over five years with the first year's payments commencing on the first anniversary of the date of the loan and continuing thereafter on the second (2nd) through the fifth (5th) anniversaries of the date of the Note. The liability is scheduled to be retired December 2022. On June 2, 2020, the balance of \$342,320 was refinanced with a Single Advance Term Promissory Note with CoBank and the loan with this shareholder is paid in full.

On January 27, 2020, the Company entered into a Single Advance Term Promissory Note with CoBank for a single advance loan in the amount of \$410,000 to refinance the Company's indebtedness at that time for the two shareholder loans and associated closing costs. The term of the loan is 48 months to expire on June 20, 2024 at a rate adjusted for reserves of the One-Month LIBOR (London Interbank Offered Rate) Index Rate plus 1.75%.

**See Accountant's Compilation Report**



2021

## RELATIVE INFORMATION

As of April 2021

		8/8/2019	8/31/2018	8/8/2019	8/31/2018	4/30/2017	4/30/2016	8/31/2013	
		2021	2020	2019	2018	2017	2016	2013	
PRODUCTION									
TUNNEL	is producing	134	123	119	125	148	176	350	GPM
WELL # 2A	is pumping	352	306	170	135	0	534	1275	GPM
WELL # 3A	is pumping	313	327	186	195	295	635	889	GPM
WELL # 4A	is pumping	345	319	189	194	253	478	917	GPM
WELL # 5	is pumping	312	314	173	279	355	471	333	GPM
WELL # 8	is pumping	395	367	198	317	358	433	534	GPM
WELL # 11	is pumping	251		251					GPM
<b>TOTAL</b>		<b>2102</b>	<b>1756</b>	<b>1286</b>	<b>1245</b>	<b>1409</b>	<b>2727</b>	<b>4298</b>	<b>GPM</b>

## STORAGE

TANK'S # 2 & 4	428,000 x 2	856,000	Gallons
TANK # 3		210,000	Gallons
TANK # 5		141,000	Gallons
TANK # 6		912,000	Gallons
TANK # 7		1,000,000	Gallons
TANK # 8		3,000,000	Gallons
<b>TOTAL</b>		<b>6,119,000</b>	<b>Gallons</b>

## ALL AVERAGES USAGES ARE FOR 2020

Total Production for 2020	584.88 Acre Feet (42.86 AF more than previous year)
Average through summer month's	62.43 Acre Feet (6 month's)
Average through winter month's	35.05 Acre Feet (6 month's)
Average GPM usage for summer month's	471 GPM
Average GPM usage for winter month's	264 GPM

1 acre foot of water = 325,900 gallons of water

## STATIC WATER LEVEL COMPARISONS- Levels up or down from:

Well #	1 Year Ago	2020	3 Year Ago	2018	8 Years Ago	2013
2A	NO CHANGE		UP	20.79 FT	DN	12.5 FT
3A	UP	6.93 FT	UP	25 FT	DN	45.96 FT
4A	NO CHANGE		UP	15.7 FT	DN	38.3 FT
5	DN	4.62 FT	UP	15.84 FT	DN	32.16 FT
8	DN	6.93 FT	UP	27.05 FT	DN	42.95 FT

Sheep Creek Water has an average hardness of **31 grains** between all of it's sources

## COMPLETED WORK 2020- Operations & Well Maintenance Only

January Through December

<b>New Meter Installations (SWRCB Approved)</b>	\$1,036.46
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<b>Meter Repairs and Upgrades</b>	\$39,866.19
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Meter Upgrades	89
Service Replaced	5

<b>System Leaks</b>	\$5,962.84
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Service Leaks	4
Main Line Leaks	12

<b>System Maintenance</b>	\$11,664.83
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Fire Hydrants Repaired	2
CLA-VALs Maintained	7

<b>System Upgrade &amp; Replacement</b>	\$42,403.74
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Fire Hydrants	6
Gate Valves	13

<b>Total 2020 Operations Maintenance</b>	<b>\$100,934.06</b>
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## COMPLETED WORK 2019- Operations & Well Maintenance Only

January Through December

<b>Meter Repairs and Upgrades</b>	<b>\$37,893.44</b>
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Meter Upgrades	61
Service Replaced	16

<b>System Leaks</b>	<b>\$8,064.93</b>
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Service Leaks	3
Main Line Leaks	18

<b>System Maintenance</b>	<b>\$9,364.29</b>
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Fire Hydrants Repaired	2
CLA-VALs Maintained	10
Tank Vent Screens	6
Well & Tank Overflow Screens	

<b>System Upgrade &amp; Replacement</b>	<b>\$27,744.49</b>
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New Regulator & Check Valve Station	
Upgrade Tunnel flow meter & Drain	

<b>Well #3A Rehabilitation, Pump, Column</b>	<b>\$108,317.59</b>
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<b>Total Work 2019</b>	<b>\$191,384.74</b>
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*Sheep Creek Water Company*  
*4200 Sunnyslope Rd.*  
*P.O. Box 291820*  
*Phelan, CA 92329-1820*

**Tiered Water Use Rates- Board Approved September 20, 2018**  
**Additional Well 11 Base Rate Approved August 17, 2019**

	Tier 1 Allotment 750/150 cf	Tier 2 Allotment 150 cf	Tier 3 Overage	*Tier 3 Overage With Purchased Water
SCWC Unit Cost- Electricity Cost- Wrightwood	\$0.25	\$0.00	\$0.00	\$0.00
SCWC Unit Cost- Well Maintenance	\$0.25	\$0.75	\$0.75	\$0.25
SCWC Unit Cost- Electricity Well #11 Smoketree	\$0.00	\$1.25	\$1.00	\$0.00
SCWC Penalty Rate	\$0.00	\$0.00	\$1.99	\$0.00
Purchased Water Cost	\$0.00	\$0.00	\$0.00	\$4.62
Assessment Revenue (\$30 per Share)-	\$0.00	\$0.00	\$1.13	\$1.13
MWA / AV Cost per HCF (Repl. Water)	\$0.00	\$1.53	\$1.53	\$1.53
<b>TOTAL Water Consumption Rate</b>	<b>\$0.50</b>	<b>\$3.53</b>	<b>\$6.39</b>	<b>\$7.52</b>
<b>Monthly Meter Charge</b>	\$55.00	No Change		*Only Charged when water is purchased from another water agency.
<b>Monthly Meter Charge- Well 11 Loan</b>	\$5.00	9-1-2019 - 10-1-2024		
<b>Electric/Drought Surcharge per HCF</b>	\$0.15	Removed January 2019		

<b>Mojave Water Agency</b>	
<b>Cost for Replacement Water- MWA</b>	
MWA Cost per AF 2020/2021:	\$665.00
1 AF = 435.60 HCF	435.60
Total per HCF:	\$1.53
When applicable (determined each year), charged only if there is a replacement obligation.	
<b>Water Production Improvements</b>	
<b>Assessment Revenue (\$30 per Share)-</b>	
Annual Assessment Revenue	\$240,000.00
Approx. # of Services	1,185
Average per Service	\$202.53
Annual Consumption per EDU	180
Total per HCF	\$1.13
<b>Cost of Connection Fee per HCF- (Penalty Rate)</b>	
Connection Cost per EDU	\$10,750.00
Average years/EDU	30
Average cost per year for connection fee	\$358.33
Annual consumption (HCF) per EDU	180
Total per HCF	\$1.99

<b>Current Approved Water Rates</b>	
Tier 1- Allotment	<b>\$0.50 per HCF</b>
Tier 2- Allotment	<b>\$3.46 per HCF</b>
Tier 3- Overage	<b>\$6.32 per HCF</b>
Base Rate- Monthly Service Charge	<b>\$55.00 Meter Service</b>
Well 11 Loan- Monthly Service Charge	<b>\$5.00 Meter Service</b>

\*These amounts are current and are subject to change each year.

## SHEEP CREEK WATER COMPANY

April 2018 - 2021

Well Number	Date	Year Well Drilled/ Serviced	Total Well Depth Ft	Pump Depth Ft	Static Level Ft	Pumping Level Ft	Water above Pump Pumping Ft	Water above Pump Static Ft	Draw Down	Yield Gallons per Foot	GPM 24 Hour Average	
<b>4/5/18</b>												
2A	50hp	2011	725	505	283.24	294.79	210.21	221.76	11.55	18.53	214	52.5hz
3A	100hp	2002	500	460	291	304	156	169	13	9.38	122	48hz
4A	150hp	2004	500	440	294	307	133	146	13	19.31	251	47hz
5	40hp	2014	520	420	288	303	117	132	15	19.80	297	56hz
8	150hp	2004	480	420	320	339	81	100	19	17.74	337	50hz
11		2018	1480									
<b>4/8/19</b>												
2A	50hp	2011	725	505	280.93	292.48	212.52	224.07	12	14.98	173	1,221
3A	100hp	2002	500	460	289.06	305.23	154.77	170.94	16	11.50	186	55hz
4A	150hp	2004	500	440	289.85	294.47	145.53	150.15	5	40.91	189	47.2hz
5	40hp	2014	520	420	288.33	295.26	124.74	131.67	7	24.68	171	51hz
8	150hp	2004	480	440	317.57	324.5	115.5	122.43	7	28.57	198	57.4hz
11	150hp	2018	1480	1100	954.47	975.26	124.74	145.53	21	12.07	251	50hz
<b>4/6/20</b>												
2A	50hp	2011	725	505	262.45	278.62	226.38	242.55	16.17	17.38	281	52.5hz
3A	100hp	2002	500	460	272.89	279.82	180.18	187.11	6.93	46.61	323	1,168
4A	150hp	2004	500	440	278.3	294.47	145.53	161.7	16.17	16.82	272	53.5hz
5	40hp	2014	520	420	267.54	281.4	138.6	152.46	13.86	22.22	308	47hz
8	150hp	2004	480	440	306.02	336.05	103.95	133.98	30.03	9.06	272	57.5hz
11	150hp	2018	1480	1100	947.54	966.02	133.98	152.46	18.48	13.58	251	55.5hz
<b>4/6/21</b>												
2A	50hp	2011	725	505	262.45	276.31	228.69	242.55	14	25.40	352	53hz
3A	100hp	2002	500	460	265.96	279.82	180.18	194.04	14	22.58	313	1,707
4A	150hp	2004	500	440	278.3	289.85	150.15	161.7	12	29.87	345	53.5hz
5	40hp	2014	520	420	272.16	281.4	138.6	147.84	9	33.77	312	47hz
8	150hp	2004	480	440	312.95	329.12	110.88	127.05	16	24.43	395	57.5hz
11	150hp	2018	1480	1100	947	983	117	153	36	6.97	251	55.5hz
<b>TUNNEL</b>												
<b>TOTAL PRODUCTION</b>												<b>134</b>
												<b>2,102</b>

MSEXCEL/WellDepths21

PRODUCTION - 8 - YEAR RECAP													Reduction compared to 2013	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	TOTAL
2021		14%	-2%	18%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%		
Tunnel	5,801,408	5,382,560	5,937,120										17,201,088	2,299,611
Well # 2A	22,000	29,000	17,000										68,000	9,091
Well # 3A	17,000	24,000	15,000										56,000	7,487
Well # 4A	17,000	23,000	17,000										52,000	6,952
Well # 5	16,000	28,000	15,000										57,000	7,620
Well # 8	6,375,000	6,820,000	6,820,000										18,540,000	2,478,610
Well # 11	11,400	12,100	4,800										28,300	3,783
PPHCS	0	0	0										0	0
TOTAL G	12,354,808	10,871,660	12,825,920										36,002,388	4,813,153
TOTAL CF	1,651,712	1,446,748	1,714,895										0	0
TOTAL AF	37,910	33,205	39,355		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	Total Reduction=	110.47
2020														
Tunnel	5,481,792	5,087,000	5,428,224		5,871,000	5,652,000	5,954,000	5,954,976	5,754,240	5,888,944	5,702,400	5,914,800	67,810,976	9,065,639
Well # 2A	177,000	82,000	12,000		12,000	14,000	3,419,000	2,282,000	254,000	14,000	23,000	21,000	11,311,000	1,512,166
Well # 3A	0	1,245,000	4,883,000		5,480,000	5,025,000	15,000	25,000	825,000	6,401,000	4,177,000	2,480,000	45,643,000	6,102,005
Well # 4A	31,000	28,000	21,000		44,000	20,000	732,000	7,480,000	263,000	21,000	19,000	30,000	8,702,000	1,163,369
Well # 5	5,115,000	4,377,000	440,000		3,529,000	6,710,000	3,082,000	21,000	8,154,000	5,570,000	3,077,000	2,380,000	40,796,000	5,454,011
Well # 8	34,000	80,000	23,000		23,000	2,055,000	7,514,000	29,000	114,000	20,000	22,000	470,000	10,439,000	1,395,588
Well # 11	0	127,800	88,600		482,700	1,109,600	2,998,300	70,000	274,500	11,200	11,200	10,700	5,911,300	798,281
PPHCS	0	0	0		0	0	0	0	0	0	0	0	0	0
TOTAL G	10,842,792	11,006,800	10,885,824	11,444,700	18,836,700	20,594,600	23,602,300	21,497,776	19,628,740	17,927,944	13,031,600	11,316,500	190,613,276	25,483,058
TOTAL CF	1,448,571	1,471,487	1,455,324	1,530,040	2,518,543	2,755,289	3,155,388	2,874,034	2,824,163	2,398,116	1,742,193	1,512,901	19,613,276	2,548,058
TOTAL AF	33,270	33,774	33,402	35,117	57,805	63,193	72,422	65,964	60,229	54,995	39,986	34,724	63,332,562	8,665,920
2019														
Tunnel	4,808,174	4,384,800	5,017,000		5,517,058	5,140,800	5,480,720	5,713,920	5,537,000	5,824,640	5,400,000	5,535,360	63,332,562	8,665,920
Well # 2A	10,000	41,000	2,784,000		3,817,000	5,480,000	5,628,000	2,863,000	150,000	3,281,000	1,078,000	870,000	29,982,000	4,005,615
Well # 3A	7,000	228,000	144,000		1,000	38,000	234,000	57,000			0		720,600	96,337
Well # 4A	6,000	211,000	132,000		7,000	27,000	35,000	15,000		22,000	10,000	15,000	548,000	73,262
Well # 5	2,828,000	2,285,000	2,278,000		3,897,000	4,748,000	6,008,000	5,055,000	6,346,000	6,508,000	2,402,000	1,173,000	48,943,000	6,543,182
Well # 8	3,122,000	2,612,000	6,800		12,000	310,000	58,000	8,865,000	4,922,000	1,895,000	3,465,000	1,134,000	20,257,000	2,708,155
Well # 11	250,600	287,200	322,500		688,800	2,385,700	2,281,300	2,739,700	2,481,500	456,100	44,800		12,881,800	1,722,166
PPHCS	0	0	0		0	0	0	0	0	0	0	0	0	0
TOTAL G	11,131,774	10,029,000	10,683,590	13,558,600	14,170,458	18,146,500	19,733,020	20,759,620	18,202,500	17,424,740	12,077,800	10,727,360	176,644,962	23,615,637
TOTAL CF	1,468,205	1,340,775	1,429,267	1,612,647	1,894,446	2,626,003	2,638,104	2,776,350	2,433,489	2,329,511	1,814,679	1,494,138	19,613,276	2,548,058
TOTAL AF	34,157	30,773	37,782	41,604	43,481	55,691	60,549	63,699	55,853	53,467	37,060	32,916	63,332,562	8,665,920
2018														
Tunnel	5,870,088	5,204,909	5,874,190		5,583,000	5,382,000	5,450,000	5,385,000	5,150,738	5,272,877	5,070,989	5,159,000	64,630,776	8,640,478
Well # 2A	0	0	238,000		17,000	184,000	2,142,000	1,152,000	998,000	128,000	5,000		6,546,000	875,134
Well # 3A	0	157,000	11,000		1,147,000	985,000	10,000	6,000			0		1,996,000	266,845
Well # 4A	125,000	255,000	236,000		2,316,000	2,416,000	74,000	9,000			12,000		4,477,000	598,529
Well # 5	3,550,000	4,031,000	3,129,000		5,518,000	8,424,000	6,448,000	5,119,000	5,116,000	5,592,000	4,571,000	3,535,000	61,258,000	8,189,572
Well # 8	3,971,000	4,511,000	3,531,000		3,968,000	6,487,000	6,279,000	5,507,000	6,059,000	5,714,000	4,346,000	3,423,000	59,106,000	7,301,872
Well # 11	0	0	0		0	0	0	0	0	0	0	0	24,700	3,302
PPHCS	0	0	0		0	0	0	0	0	0	0	0	5,525,000	739,636
TOTAL G	13,532,088	13,903,909	12,638,190	19,555,987	19,245,000	21,196,000	20,402,000	22,713,736	17,323,736	16,706,877	14,004,989	12,141,700	203,563,476	27,214,368
TOTAL CF	1,808,103	1,858,811	1,716,336	2,814,328	2,572,881	2,833,690	2,727,540	3,036,487	2,316,007	2,233,540	1,872,325	1,632,222	19,613,276	2,548,058
TOTAL AF	41,522	42,663	39,393	60,006	59,052	65,038	62,602	69,693	53,157	51,264	42,973	37,256	63,332,562	8,665,920
2017														
Tunnel	6,570,115	5,880,915	6,590,203		6,468,984	6,294,000	6,397,805	6,255,850	5,988,982	6,108,091	5,885,005	5,980,779	74,930,772	10,017,483
Well # 2A	18,000	23,000	0		19,000	168,000	38,000	10,000	9,000	6,000	0	0	291,000	38,904
Well # 3A	3,727,000	5,786,000	7,405,000		6,194,000	5,720,000	4,964,000	2,496,000	2,485,000	2,820,000	0	0	45,073,000	6,025,802
Well # 4A	439,000	45,000	0		2,776,000	47,000	403,000	1,203,000	9,000	2,387,000	2,081,000	864,000	7,804,000	1,043,316
Well # 5	62,000	28,000	0		100,000	2,687,000	4,115,000	6,412,000	7,334,000	6,533,000	3,992,000	4,054,000	40,500,000	5,414,439
Well # 8	28,000	1,862,000	2,000		6,327,000	6,284,000	7,282,000	7,135,000	6,590,000	5,498,000	4,341,000	4,521,000	55,168,000	7,375,401
PPHCS	0	0	0		0	0	0	0	0	0	0	0	0	0
TOTAL G	10,844,115	11,769,915	15,687,203	18,485,984	21,655,043	22,626,000	25,494,805	24,433,850	21,615,982	19,475,081	16,279,005	15,399,779	223,766,772	29,913,344
TOTAL CF	1,449,748	1,573,519	2,097,220	2,471,388	2,895,959	3,024,868	3,408,396	3,989,552	2,869,837	2,803,022	2,176,338	2,058,794	19,613,276	2,548,058
TOTAL AF	33,327	36,152	48,144	58,772	66,445	69,431	78,223	74,797	66,331	59,176	49,395	47,251	63,332,562	8,665,920
2016														
Tunnel	8,211,082	7,599,087	7,907,083		7,583,998	7,261,013	7,385,800	7,221,859	6,873,984	6,987,948	6,855,003	6,717,874	87,986,434	11,762,892
Well # 2A	16,000	27,000	3,363,000		4,281,000	3,365,000	3,086,000	124,000	0	3,000	6,000	1,000	21,013,000	2,809,225
Well # 3A	29,000	31,000	35,000		1,682,000	10,901,000	4,110,000	1,218,000	101,000	13,000	11,000	12,000	21,841,000	2,919,920
Well # 4A	48,000	35,000	30,000		29,000	2,932,000	3,056,000	1,504,000	220,000	17,000	16,000	18,000	7,948,000	1,062,587
Well # 5	4,831,000	6,174,000	7,386,000		7,135,000	6,861,000	8,024,000	6,451,000	6,688,000	5,803,000	4,457,000	3,294,000	74,390,000	9,945,187
Well # 8	22,000	20,000	21,000		28,000	5,286,000	6,395,000	7,983,000	7,231,000	5,121,000	4,332,000	2,915,000	39,364,000	5,262,567
PPHCS	0	0	0		0	0	0	0	0	0	0	0	4,647,000	621,257
TOTAL G	13,157,082	13,886,067	18,754,083	20,770,998	26,205,925	35,796,013	32,016,600	28,541,859	21,680,984	17,944,946	15,477,003	12,957,874	257,189,434	34,383,614
TOTAL CF	1,758,968	1,856,426	2,507,220	2,776,871	3,503,466	4,765,583	4,280,294	3,815,577	2,888,527	2,309,057	2,069,118	1,732,338	19,613,276	2,548,058
TOTAL AF	40,377	42,611	57,551	63,773	80,411	109,844	98,244	87,581	66,533	55,061	47,481	39,761	63,332,562	8,665,920



## CONSUMPTION 10-YEAR

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
2021														Reduction with 2013
Cons'n HCF	-30%	-17%	-31%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	39,389	
Cons'n GPM	12,493	12,897	13,998	0	0	0	0	0	0	0	0	0	57	
Cons'n A.F.	209	239	235	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	90,424	
Ave GPDPP	89,690,219	92,588,359	100,496,888	0	0	0	0	0	0	0	0	0		Reduction with 2013
2020														
Cons'n HCF	-33%	-27%	-43%	-58%	-46%	-40%	-44%	-44%	-34%	-30%	-25%	-10%	215,185	
Cons'n GPM	12,108	11,353	11,457	13,003	19,970	23,014	25,219	24,223	24,214	21,641	14,550	14,433	306	
Cons'n A.F.	203	211	192	225	335	398	423	406	419	363	252	242	493,996	
Ave GPDPP	27,795	26,062	26,302	29,850	45,846	52,833	57,894	55,608	55,588	49,681	33,403	33,133		Reduction with 2013
2019														
Cons'n HCF	-31%	-30%	-49%	-47%	-53%	-49%	-46%	-43%	-40%	-36%	-28%	-20%	204,279	
Cons'n GPM	12,481	10,980	10,327	16,381	17,288	19,469	24,323	24,572	21,868	19,744	13,907	12,940	290	
Cons'n A.F.	209	204	173	284	290	337	408	412	379	331	241	217	468,960	
Ave GPDPP	28,652	25,207	23,707	37,606	39,688	44,695	55,838	56,409	50,203	45,325	31,926	29,706		Reduction with 2013
2018														
Cons'n HCF	-15%	-7%	-37%	-41%	-40%	-35%	-40%	-39%	-39%	-39%	-16%	-18%	231,605	
Cons'n GPM	15,360	14,461	12,701	18,206	22,082	24,730	27,000	26,417	22,364	18,762	16,399	13,123	329	
Cons'n A.F.	257	268	213	315	370	428	452	443	387	314	284	220	531,693	
Ave GPDPP	35,262	33,198	29,157	41,796	50,692	56,772	61,983	60,646	51,341	43,072	37,647	30,126		Reduction with 2013
2017														
Cons'n HCF	-38%	-35%	-24%	-33%	-34%	-33%	-42%	-30%	-40%	-29%	3%	-3%	243,231	
Cons'n GPM	11,121	10,088	15,275	20,758	24,151	25,786	26,112	30,311	22,165	21,963	19,912	15,588	345	
Cons'n A.F.	186	187	256	359	405	446	438	508	384	368	345	261	558,381	
Ave GPDPP	25,531	23,159	35,066	47,653	55,443	59,196	59,945	69,585	50,885	50,420	45,713	35,785		Reduction with 2013
2016														
Cons'n HCF	-25%	10%	3%	-26%	-21%	11%	-21%	-17%	-28%	-35%	0%	-19%	295,892	
Cons'n GPM	13,498	17,144	20,915	22,752	29,188	42,373	35,594	35,657	26,381	19,859	19,429	13,103	421	
Cons'n A.F.	226	318	350	394	489	734	596	597	457	333	336	220	679,274	
Ave GPDPP	30,986	39,356	48,014	52,232	67,007	97,274	81,712	81,857	60,561	45,589	44,604	30,081		Reduction with 2013
2015														
Cons'n HCF	-26%	-10%	3%	-26%	-21%	11%	-21%	-17%	-28%	-35%	0%	-19%	295,892	
Cons'n GPM	13,498	17,144	20,915	22,752	29,188	42,373	35,594	35,657	26,381	19,859	19,429	13,103	421	
Cons'n A.F.	226	318	350	394	489	734	596	597	457	333	336	220	679,274	
Ave GPDPP	30,986	39,356	48,014	52,232	67,007	97,274	81,712	81,857	60,561	45,589	44,604	30,081		Reduction with 2013
2014														
Cons'n HCF	-26%	-10%	3%	-26%	-21%	11%	-21%	-17%	-28%	-35%	0%	-19%	295,892	
Cons'n GPM	13,498	17,144	20,915	22,752	29,188	42,373	35,594	35,657	26,381	19,859	19,429	13,103	421	
Cons'n A.F.	226	318	350	394	489	734	596	597	457	333	336	220	679,274	
Ave GPDPP	30,986	39,356	48,014	52,232	67,007	97,274	81,712	81,857	60,561	45,589	44,604	30,081		Reduction with 2013
2013														
Cons'n HCF	-26%	-10%	3%	-26%	-21%	11%	-21%	-17%	-28%	-35%	0%	-19%	295,892	
Cons'n GPM	13,498	17,144	20,915	22,752	29,188	42,373	35,594	35,657	26,381	19,859	19,429	13,103	421	
Cons'n A.F.	226	318	350	394	489	734	596	597	457	333	336	220	679,274	
Ave GPDPP	30,986	39,356	48,014	52,232	67,007	97,274	81,712	81,857	60,561	45,589	44,604	30,081		Reduction with 2013
2012														
Cons'n HCF	-26%	-10%	3%	-26%	-21%	11%	-21%	-17%	-28%	-35%	0%	-19%	295,892	
Cons'n GPM	13,498	17,144	20,915	22,752	29,188	42,373	35,594	35,657	26,381	19,859	19,429	13,103	421	
Cons'n A.F.	226	318	350	394	489	734	596	597	457	333	336	220	679,274	
Ave GPDPP	30,986	39,356	48,014	52,232	67,007	97,274	81,712	81,857	60,561	45,589	44,604	30,081		Reduction with 2013

AVERAGE GALLONS PER MINUTE

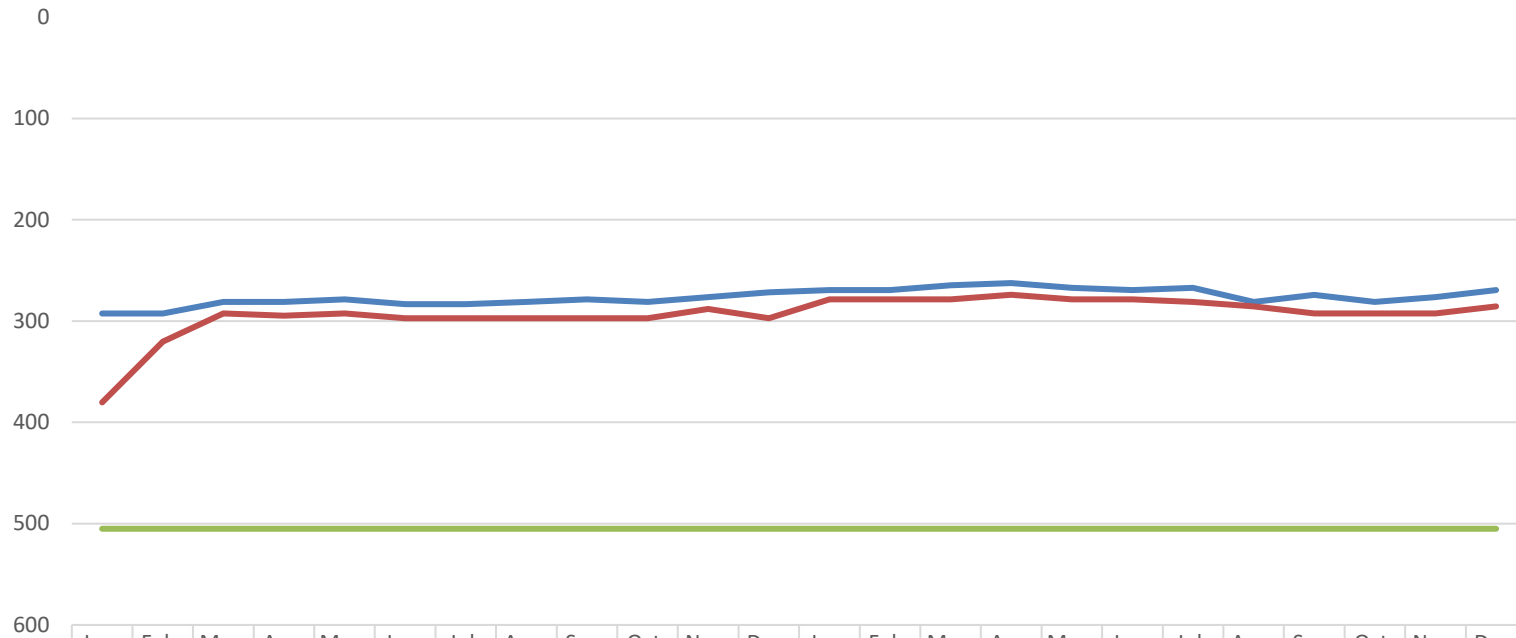
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Compare 2020
<b>2021</b>	36%	13%	13%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	-100%	
Tunnel	132	133	133										
Well # 2A	333	345	315										
Well # 3A	329	308	313										
Well # 4A	348	300	348										
Well # 5	310	310	312										
Well # 8	351	393	396										
Well # 11	251	251	251										
<b>TOTAL G</b>	<b>2,006</b>	<b>2,088</b>	<b>2,074</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2020</b>	26%	43%	40%	56%	51%	53%	62%	50%	55%	48%	45%	36%	Compare 2019
Tunnel	122	122	122	123	127	131	133	133	133	132	132	133	
Well # 2A	250	279	262	306	286	292	344	339	336	333	319	333	
Well # 3A	0	312	324	327	318	311	311	347	321	333	323	329	
Well # 4A	272	292	250	319	292	302	372	372	332	269	288	300	
Well # 5	305	309	327	314	319	307	311	318	289	289	302	310	
Well # 8	270	284	295	367	367	367	348	322	333	333	333	350	
Well # 11	251	251	251	251	251	251	251	251	251	251	251	251	
<b>TOTAL G</b>	<b>1,471</b>	<b>1,849</b>	<b>1,831</b>	<b>2,007</b>	<b>1,960</b>	<b>1,961</b>	<b>2,070</b>	<b>2,060</b>	<b>1,995</b>	<b>1,940</b>	<b>1,948</b>	<b>2,006</b>	Compare 2018
<b>2019</b>	26%	-2%	0%	3%	13%	61%	155%	166%	155%	154%	70%	83%	
Tunnel	107	109	112	119	124	119	123	128	128	126	125	124	
Well # 2A	150	208	207	170	179	189	184	186	172	204	186	229	
Well # 3A	148	186	194	186	186	167	162	167	0	0	0	0	
Well # 4A	174	179	185	189	194	167	167	179	207	207	207	312	
Well # 5	155	168	170	173	165	197	196	231	270	283	290	299	
Well # 8	181	193	193	198	198	192	195	258	259	242	285	263	
Well # 11	251	251	251	251	251	251	251	251	251	251	251	251	
<b>TOTAL G</b>	<b>1,166</b>	<b>1,294</b>	<b>1,312</b>	<b>1,286</b>	<b>1,297</b>	<b>1,282</b>	<b>1,278</b>	<b>1,372</b>	<b>1,287</b>	<b>1,313</b>	<b>1,344</b>	<b>1,478</b>	Compare 2017
<b>2018</b>	-40%	-27%	-16%	-12%	-19%	-42%	-57%	-49%	-48%	-48%	-17%	-21%	
Tunnel	131	129	127	125	125	124	122	121	119	118	118	116	
Well # 2A	0	150	175	135	125	55	30	25	25	25	30	30	
Well # 3A	115	211	122	195	167	33	25	25	25	25	25	25	
Well # 4A	199	213	251	194	168	99	60	60	60	60	60	60	
Well # 5	286	289	297	279	274	278	124	119	124	128	138	147	
Well # 8	320	325	337	317	284	205	141	161	152	161	167	179	
Well # 11	0	0	0	0	0	0	0	0	0	0	251	251	
<b>TOTAL G</b>	<b>1,051</b>	<b>1,317</b>	<b>1,309</b>	<b>1,245</b>	<b>1,143</b>	<b>794</b>	<b>502</b>	<b>516</b>	<b>505</b>	<b>517</b>	<b>789</b>	<b>808</b>	
<b>2017</b>	-35%	-40%	-43%	-48%	-45%	-11%	66%	58%	17%	6%	-28%	-37%	
Tunnel	147	145	147	148	147	147	143	140	137	136	136	134	
Well # 2A	214	274	0	0	0	50	50	50	107	107	0	0	
Well # 3A	330	330	345	295	301	280	180	143	115	115	115	115	
Well # 4A	370	333	333	253	253	200	200	144	115	130	154	184	
Well # 5	353	372	372	355	353	353	280	257	238	244	258	275	
Well # 8	333	361	367	358	350	342	310	278	256	266	288	308	
<b>TOTAL G</b>	<b>1,747</b>	<b>1,815</b>	<b>1,564</b>	<b>1,409</b>	<b>1,404</b>	<b>1,372</b>	<b>1,163</b>	<b>1,012</b>	<b>968</b>	<b>998</b>	<b>951</b>	<b>1,016</b>	Pump Pulled 11-17
<b>2016</b>													
Tunnel	184	182	177	176	170	168	165	162	159	157	154	150	
Well # 2A	381	500	559	534	468	213	44	38	38	45	111	167	
Well # 3A	537	646	530	635	610	225	28	31	90	114	183	286	
Well # 4A	659	729	556	478	439	193	94	52	132	157	267	333	
Well # 5	461	468	463	461	438	381	120	163	192	218	305	353	
Well # 8	458	476	438	433	444	365	248	194	217	254	297	326	
<b>TOTAL G</b>	<b>2,680</b>	<b>3,001</b>	<b>2,723</b>	<b>2,727</b>	<b>2,569</b>	<b>1,545</b>	<b>699</b>	<b>640</b>	<b>828</b>	<b>945</b>	<b>1,317</b>	<b>1,615</b>	
<b>2015</b>													
Tunnel	256	253	248	203	203	214	210	204	201	196	193	189	
Well # 2A	0	749	625	573	533	537	524	491	418	417	439	479	
Well # 3A	893	680	678	705	652	641	631	613	591	586	594	583	
Well # 4A	883	905	881	781	697	697	697	639	625	625	625	875	
Well # 5	551	551	547	537	513	497	488	471	451	451	459	460	
Well # 8	463	454	465	460	444	467	467	333	361	361	333	405	
<b>TOTAL G</b>	<b>2,846</b>	<b>3,592</b>	<b>3,381</b>	<b>3,237</b>	<b>3,226</b>	<b>3,053</b>	<b>3,017</b>	<b>2,751</b>	<b>2,647</b>	<b>2,637</b>	<b>2,643</b>	<b>2,991</b>	



# SHEEP CREEK WATER COMPANY

## WELL #2A Monthly Water Levels / 2 years

FEET



	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
WELL 2A S	292	292	281	281	279	283	283	281	279	281	276	272	269	269	265	262	267	269	267	281	274	281	276	269
WELL 2A P	380	320	292	295	292	297	297	297	297	297	288	297	279	279	279	274	279	279	281	286	292	292	292	286
PUMP DEPTH	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505	505

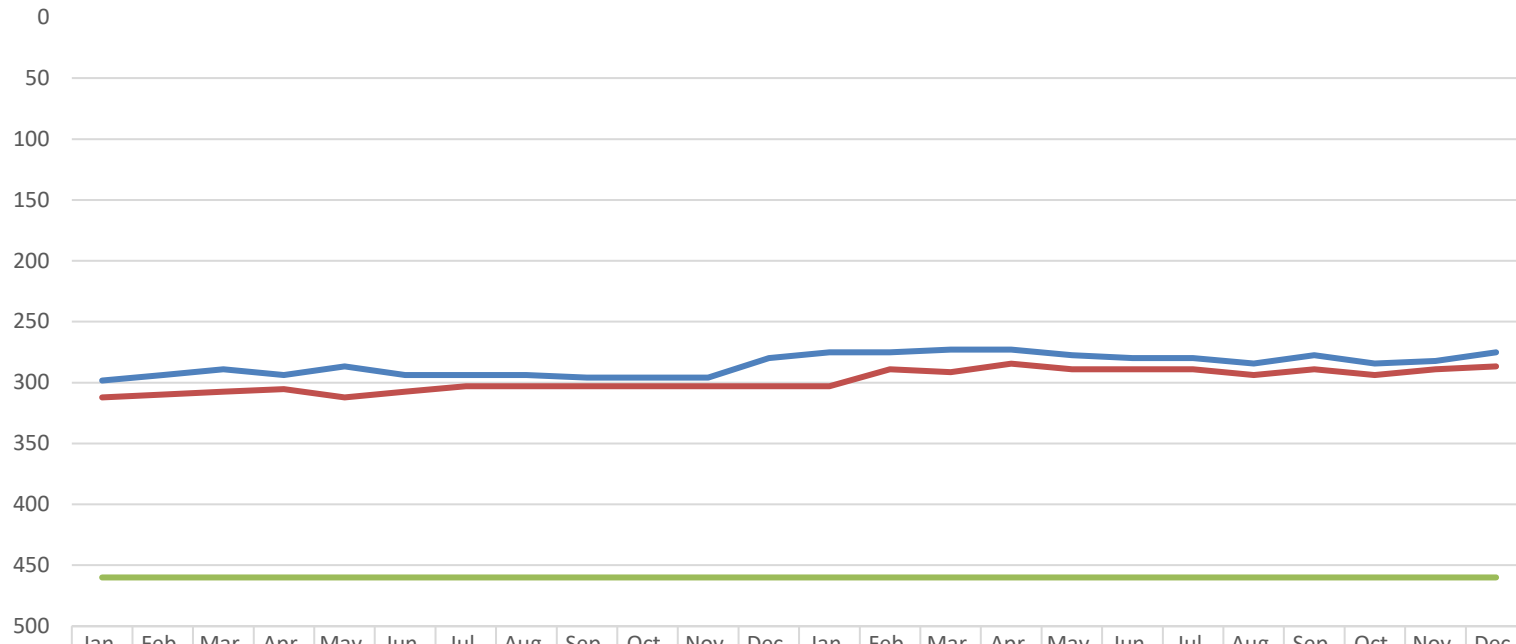
2019 / 2020

— WELL 2A S — WELL 2A P — PUMP DEPTH

# SHEEP CREEK WATER COMPANY

## WELL #3A Monthly Water Levels / 2 years

FEET



	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
WELL # 3A S	298	294	289	294	287	294	294	294	296	296	296	280	275	275	273	273	278	280	280	284	278	284	282	275
WELL # 3A P	312	310	308	305	312	308	303	303	303	303	303	303	303	289	291	284	289	289	289	294	289	294	289	287
Pump Depth	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460	460

2019 / 2020

— WELL # 3A S — WELL # 3A P — Pump Depth

# SHEEP CREEK WATER COMPANY

## WELL #4A Monthly Water Levels / 2 years

FEET

0

50

100

150

200

250

300

350

400

450

500

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
WELL # 4A S	301	297	290	292	288	292	297	297	292	292	292	288	281	281	278	278	278	281	283	288	288	292	290	283
WELL # 4A P	320	311	306	294	301	306	306	306	313	308	306	301	297	294	294	290	292	292	301	299	301	304	301	290
Pump Depth	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440

2019 / 2020

— WELL # 4A S — WELL # 4A P — Pump Depth

# SHEEP CREEK WATER COMPANY

## WELL #5 Monthly Water Levels / 2 years

FEET  
0

50

100

150

200

250

300

350

400

450

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	
WELL # 5 S	295	291	288	288	288	291	295	293	286	288	288	281	274	277	272	270	277	277	277	284	284	291	286	277	
WELL # 5 P	309	307	295	295	295	298	302	300	301	302	298	288	286	281	281	279	284	286	286	291	295	295	293	288	
Pump Depth	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	420	

2019 / 2020

— WELL # 5 S — WELL # 5 P — Pump Depth

# SHEEP CREEK WATER COMPANY

## WELL #8 Monthly Water Levels / 2 years

FEET

0

50

100

150

200

250

300

350

400

450

500

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
WELL # 8 S	325	325	320	320	318	320	322	322	322	322	325	320	311	313	311	306	311	311	315	320	320	325	320	315
WELL # 8 P	341	336	336	327	329	325	327	336	336	331	336	334	338	336	336	329	334	334	327	329	334	338	334	329
Pump Depth	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440	440

2019 / 2020

— WELL # 8 S — WELL # 8 P — Pump Depth

# SHEEP CREEK WATER COMPANY

## WELL #11 Monthly Water Levels / 2 years

FEET

850

900

950

1000

1050

1100

1150

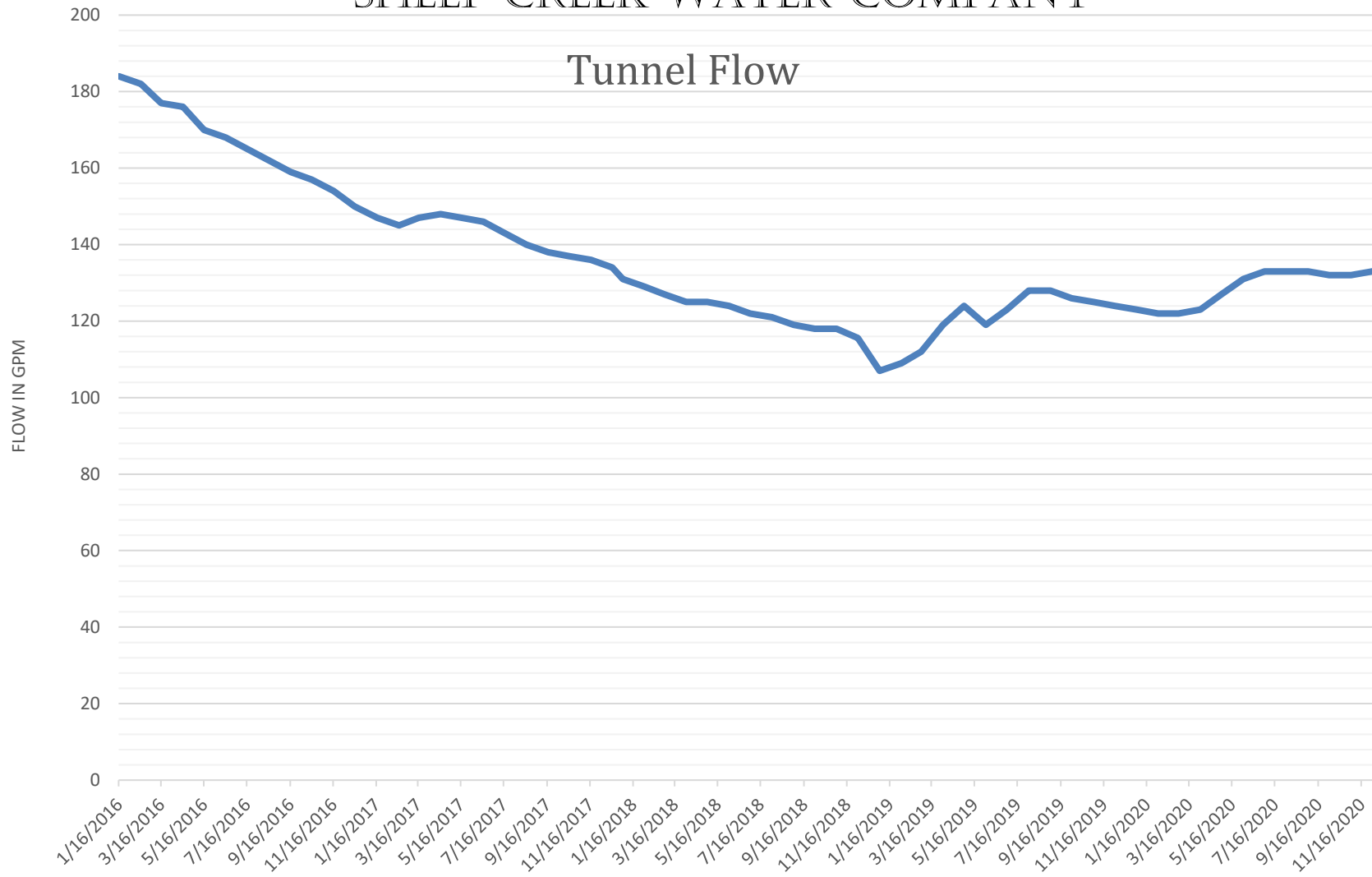
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Well 11 S	957	957	957	957	952	950	950	950	950	950	950	948	948	948	948	948	948	948	948	948	947	947	948	947
Well 11 P	972	971	975	980	975	971	973	978	966	966	966	966	966	966	966	966	975	975	968	968	966	966	966	966
Pump Depth	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100	1100

2019 / 2020

Well 11 S Well 11 P Pump Depth

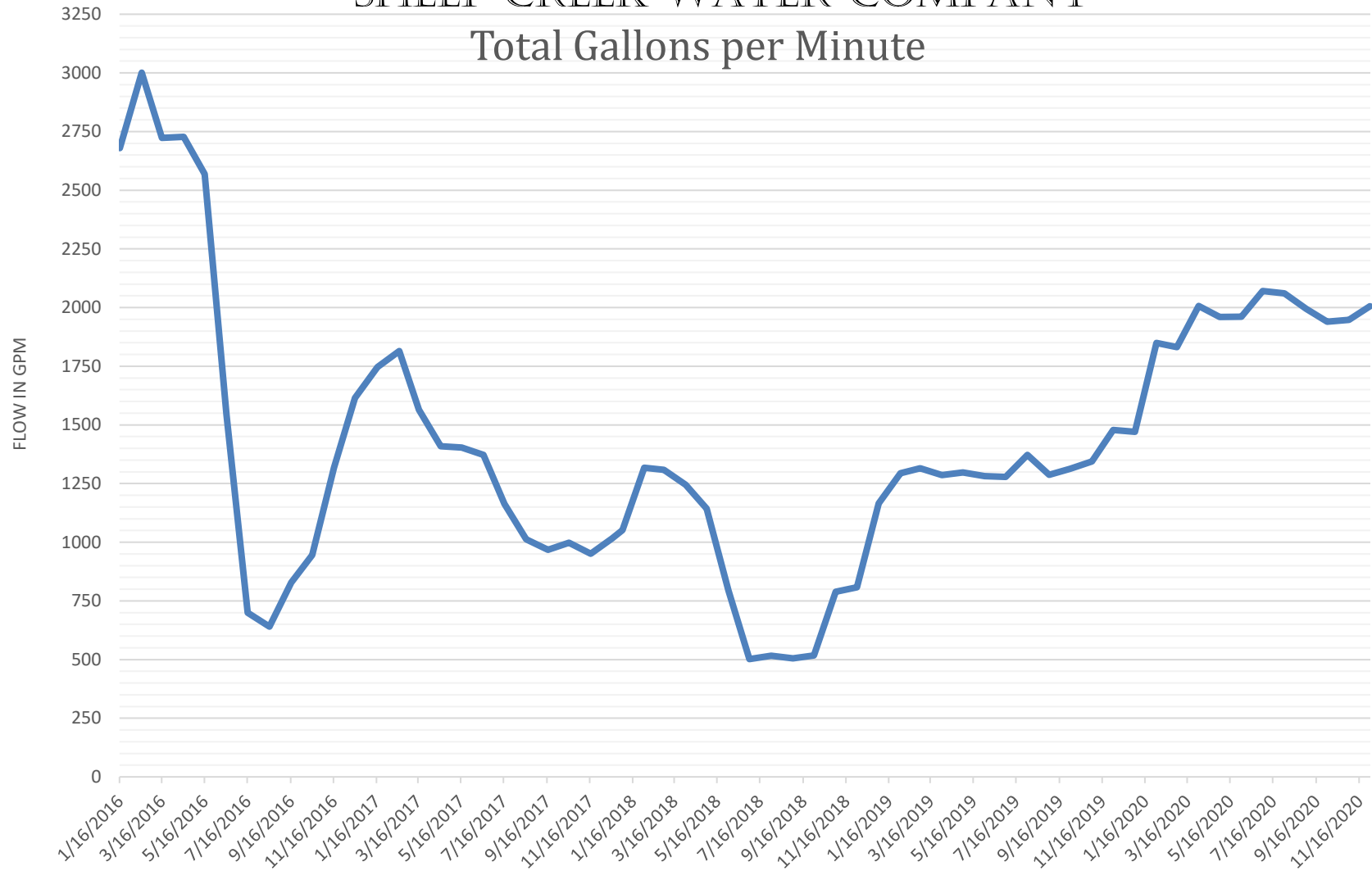
# SHEEP CREEK WATER COMPANY

## Tunnel Flow



# SHEEP CREEK WATER COMPANY

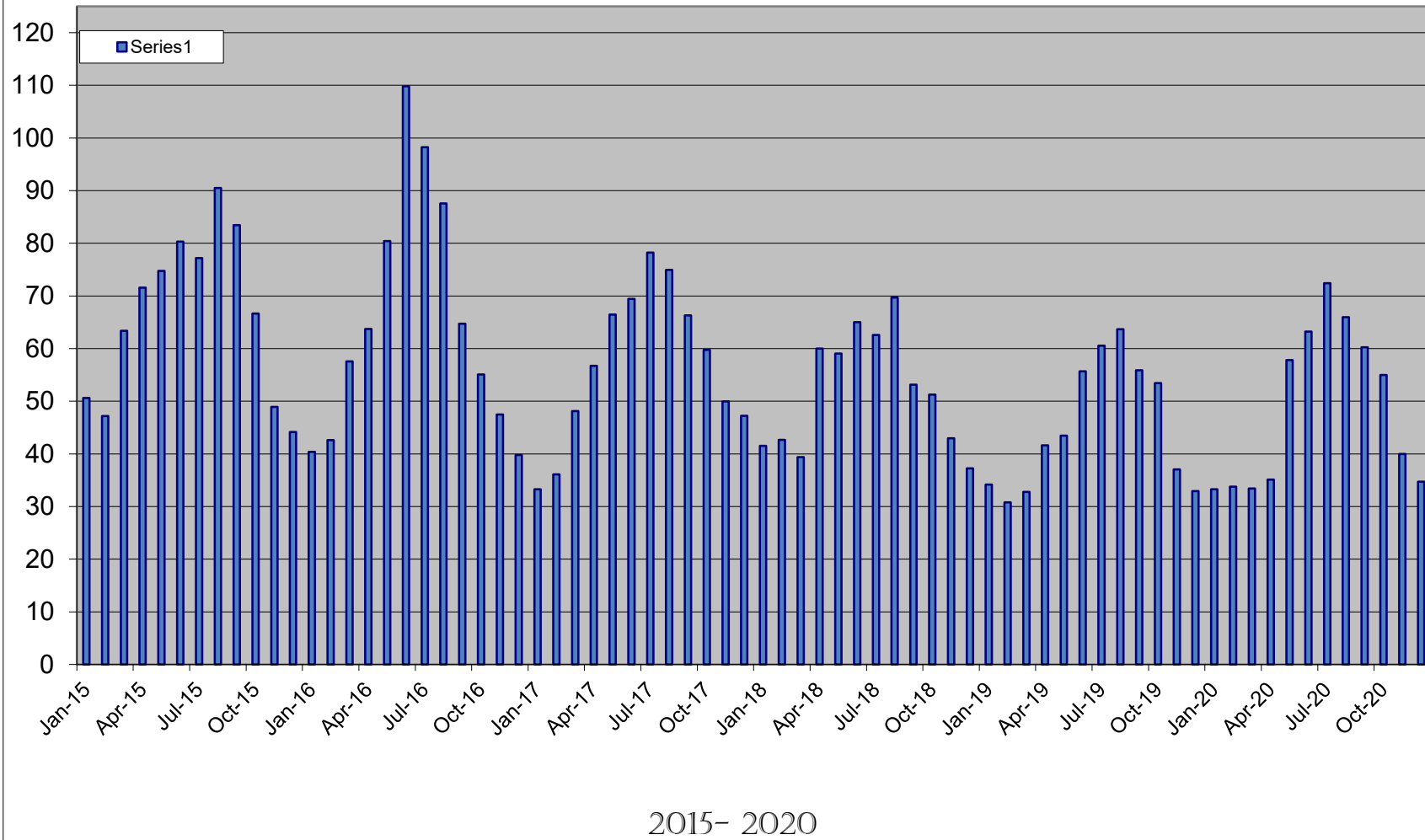
## Total Gallons per Minute





# SHEEP CREEK WATER COMPANY

## WATER PRODUCTION ACRE FEET





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State Water Resources Control Board  
Division of Drinking Water

March 17, 2020

System No. 3610109

Chris Cummings, General Manager  
Sheep Creek Water Company  
P.O. Box 291820  
Phelan, CA 92329  
[sheepcreek@verizon.net](mailto:sheepcreek@verizon.net)

**COMPLIANCE ORDER NO.05\_13\_18R\_002A1  
SOURCE CAPACITY VIOLATION**

Enclosed is Compliance Order No. 05\_13\_18R\_002A1 (hereinafter "Order"), issued to the Sheep Creek Water Company public water system (hereinafter "System"), public water system. Please note there are legally enforceable deadlines associated with this Order.

The System will be billed at the State Water Resources Control Board's (hereinafter "State Water Board"), hourly rate for the time spent on issuing this Order. California Health and Safety Code (hereinafter "CHSC"), Section 116577, provides that a public water system must reimburse the State Water Board for actual costs incurred by the State Water Board for specified enforcement actions, including but not limited to, preparing, issuing and monitoring compliance with an order. At this time, the State Water Board has spent approximately 2 hour(s) on enforcement activities associated with this violation.

The System will receive a bill sent from the State Water Board in August of the next fiscal year. This bill will contain fees for any enforcement time spent on the System for the current fiscal year.

Any person who is aggrieved by a citation, order or decision issued under authority delegated to an officer or employee of the state board under Article 8 (commencing with CHSC, Section 116625) or Article 9 (commencing with CHSC, Section 116650), of the Safe Drinking Water Act (CHSC, Division 104, Part 12, Chapter 4), may file a petition with the State Water Board for reconsideration of the citation, order or decision.

E. JOAQUIN ESQUIVEL, CHAIR | EILEEN SOBECK, EXECUTIVE DIRECTOR

Petitions must be received by the State Water Board within 30 days of the issuance of the citation, order or decision by the officer or employee of the state board. The date of issuance is the date when the Division of Drinking Water mails a copy of the citation, order or decision. If the 30th day falls on a Saturday, Sunday, or state holiday, the petition is due the following business day by 5:00 p.m.

Information regarding filing petitions may be found at:

[http://www.waterboards.ca.gov/drinking\\_water/programs/petitions/index.shtml](http://www.waterboards.ca.gov/drinking_water/programs/petitions/index.shtml)

If you have any questions regarding this matter, please contact Hector Cazares of my staff at (909) 383-4312 or me at (909) 383-4328.

Sincerely,



Sean F. McCarthy, P.E.  
Chief, South Coast Section  
Southern California Field Operations Branch

Enclosures:

Certified Mail No. 7017 0660 0001 1704 8464

cc: David Alaniz, SB County EHS, via email at [David.Alaniz@dph.sbcounty.gov](mailto:David.Alaniz@dph.sbcounty.gov)  
Gabriela Garcia, SB County EHS via email at [Gabriela.Garcia@dph.sbcounty.gov](mailto:Gabriela.Garcia@dph.sbcounty.gov)

2  
3 STATE OF CALIFORNIA  
4 STATE WATER RESOURCES CONTROL BOARD  
5 DIVISION OF DRINKING WATER  
6

7 **Name of Public Water System:** Sheep Creek Water Company

8 **Water System No:** 3610109  
9

10 **Attention:** Chris Cummings, General Manager

11 P.O. Box 291820

12 Phelan, CA 92329  
13

14 **Issued:** March 17, 2020  
15

16 **AMENDED COMPLIANCE ORDER FOR VIOLATION OF CALIFORNIA HEALTH**  
17 **AND SAFETY CODE SECTION 116555(a)(3) AND**  
18 **CALIFORNIA CODE OF REGULATIONS, TITLE 22, SECTION 64554**  
19

20 **SOURCE CAPACITY VIOLATION**

21 **2018**  
22

23 The California Health and Safety Code (hereinafter "CHSC"), Section 116655 authorizes  
24 the State Water Resources Control Board (hereinafter "State Water Board"), to issue a  
25 compliance order to a public water system when the State Water Board determines that  
26 the public water system has violated or is violating the California Safe Drinking Water  
27 Act (hereinafter "California SDWA"), (CHSC, Division 104, Part 12, Chapter 4,



1 commencing with Section 116270), or any regulation, standard, permit, or order issued  
2 or adopted thereunder.

3  
4 The State Water Board, acting by and through its Division of Drinking Water (hereinafter  
5 "Division"), and the Deputy Director for the Division, hereby issues Compliance Order  
6 No. 05\_13\_18R\_002A1 (hereinafter "Order") pursuant to Section 116655 of the CHSC  
7 to the Sheep Creek Water Company (hereinafter "System"), for violation of CHSC,  
8 Section 116555(a)(3), requiring a reliable and adequate supply of pure, wholesome,  
9 healthful, and potable water, and California Code of Regulations (hereinafter "CCR"),  
10 Title 22, Section 64554, setting source capacity requirements.

#### 11 12 **STATEMENT OF FACTS**

13 The System is classified as a community public water system with a population of 3,354  
14 serving 1,183 connections. The System operates under Domestic Water Supply Permit  
15 No. 78-007 issued by the State Water Board on February 9, 1978.

16  
17 The System relies on six (6) groundwater wells: Wells 2A, 3A, 4A, 5, 8, 11 and one (1)  
18 tunnel source which is also classified as groundwater.

19  
20 As a result of Compliance Order No. 05-13-18R-002 the State Water Board imposed a  
21 service connection moratorium which directed the System to not make any additional  
22 service connections to its water system, including any such service connections for  
23 which a "will serve" letter was issued at any time by the System, but for which a building  
24 permit was not issued prior to the date of Compliance Order No. 05-13-18R-002.

25  
26 On November 28, 2018 the State Water Board permitted Well 11 as an approved potable  
27 source for the System. The well is equipped to supply up to 251 gallons per minute (gpm)  
28 into the distribution system per the initial pump test completed on July 16, 2018.

1  
2 On January 14, 2019 the System completed a feasibility report addressing the water  
3 source capacity issue which included an assessment of consolidation with a nearby  
4 public water system. The feasibility report has been attached to this Order as Appendix  
5 1. The feasibility study discussed cost estimates, including the operation and  
6 maintenance (O&M) costs, and the potential environmental impacts of each of the  
7 options considered. The report identified and assessed two alternatives; either maintain  
8 the System as an independent water purveyor by drilling and operating additional water  
9 supply wells to meet MDD requirements or have the System consolidate with Phelan  
10 Pinon Hills Community Services District. In accordance with the feasibility study the cost  
11 for consolidation would amount to a net present value of \$3.4 million dollars including  
12 operation and maintenance costs in comparison to the net present value of \$6.5 million  
13 dollars including operation and maintenance costs to maintain the System as a public  
14 water purveyor and drill additional sources. Based on the cost analysis of the feasibility  
15 report, the consolidation with Phelan Pinon Hills Community Services District would be  
16 the more feasible alternative. However, based on discussions with the System's general  
17 manager and the System's board of directors, the preferred alternative was identified in  
18 the report as maintaining the System as an independent water purveyor by drilling and  
19 operating additional water supply wells to meet MDD requirements.  
20

21 On August 17, 2019 the System held a special meeting for System shareholders to  
22 present the alternatives for compliance. Based on the System's voting procedure the  
23 shareholders gave authority to proceed with drilling the additional sources required to  
24 meet the System's source capacity requirements rather than consolidate with Phelan  
25 Pinon Hills Community Services District. This information was provided by the System  
26 to the Division from a letter submitted by the System on August 28, 2019. The letter has  
27 been attached to this Order as Appendix 2.  
28



1 On August 28, 2019 the Division received a corrective action plan which stated that with  
2 the approval of the System's shareholders, the System's board of directors is prepared  
3 to proceed with the development of additional water source facilities to bring the System  
4 into compliance with source capacity requirements. Based on the timeline included in  
5 the corrective action plan the System will be in compliance with source capacity  
6 requirements by no later than October 1, 2023. The corrective action plan was approved  
7 by the Division on January 3, 2020 and has been attached to this Order as Appendix 2.  
8 As part of the corrective action plan's approval the Division has addressed financial  
9 concerns on the feasibility of this project. Within the approval the Division has stated that  
10 the System should assess all the financial risks that could result from this project and  
11 has advised the System to be prepared in budgeting the project without causing financial  
12 hardship on the System or its shareholders.

13  
14 CHSC, Section 116555(a)(3) requires all public water systems to provide a reliable and  
15 adequate supply of pure, wholesome, healthful, and potable water and CCR, Title 22,  
16 Section 64554(a) requires that public water systems shall at all times have the capacity  
17 to meet the System's maximum day demand (MDD) as established by Section 64554  
18 subsection (b).

### 19 20 **DETERMINATION**

21  
22 Based on the above Statement of Facts, the State Water Board has determined that  
23 without additional source capacity, the System may not be able to provide an adequate  
24 and reliable supply of water to its customers and has failed to comply with requirements  
25 from CHSC, Section 116555(a)(3) and CCR, Title 22, Section 64554. The Division has  
26 the authority under Sections 116655 (a)(2) and 116655 (b)(4) of the CHSC to take steps  
27 necessary to prevent increasing water demands for the System until such time that an  
28 adequate and proven source capacity is provided.

## DIRECTIVES

To ensure that the water supplied by the System is at all times reliable and adequate, the System is hereby directed to take the following actions:

1. Upon receipt of this Order, the Division continues to impose a service connection moratorium on the System and directs the System to not make any additional service connections to its water system, including any such service connections for which a "will serve" letter was issued at any time by the System, but for which a building permit was not issued prior to the date of Compliance Order No. 05-13-18R-002 being issued. As used in this Order, "will serve" letter means any form of notice, representation or agreement that the System will supply water to a property, parcel or structure
2. Per Section 116530 of the California Health and Safety Code, the Division requires that information related to the System's financial capacity be submitted no later than **August 31, 2020**. For the purpose of this directive, the financial information must include, but is not limited to the following:
  - a. An overall evaluation of the financial health of the system by a Certified Public Accountant or appropriately qualified financial officer. The evaluation must include and take into consideration audited financial statements from the past 5 years, monthly revenue and expenses from the past 5 years, management and status of outstanding debt and impending debt that will be accrued as a result of the requirements outlined in this Order and from any other planned water system expenses, documentation demonstrating how funding for the requirements outlined in this Order will be secured and financed, information on the expected increase in operational expenses due to the requirements outlined in this Order, management and status of the System's reserve funds, and information on



1 the System's rate structure and any proposed rate increases that are  
2 anticipated. The evaluation must include a concluding statement on the  
3 System's overall current and anticipated financial health.

4 b. An asset management plan (AMP) must be completed by the System. The  
5 AMP must include an inventory of the System's infrastructure components,  
6 a description of the components' condition, age, service history, and useful  
7 life, criteria to determine when to repair, rehabilitate or replace assets, a  
8 prioritization of critical assets, long term funding strategies, and a timeline  
9 delineating the schedule for the System's asset management plan.

10 c. A summary of operational costs associated with operation of Well 11. The  
11 summary must consider average operational costs and usage since the  
12 issuance of the Division's permit for Well 11 on November 28, 2018.

13 d. The System must complete the Financial Assessment Questionnaire for  
14 Disadvantaged Medium/Large Community Water Systems included in  
15 Appendix 3 of this Order. The questionnaire provides several resources  
16 and guidance documents that are available to assist the System in  
17 completing items a & b of this directive.  
18

19 3. As stated in Directive No. 8 of Compliance Order No. 05-13-18R-002 the System  
20 must perform the State Water Board approved Corrective Action Plan, and each  
21 and every element of said plan, according to the time schedule set forth therein.  
22

23 4. In accordance with CCR, Title 22, Section 64554(a), a public water system must  
24 at all times have adequate source capacity to meet the highest 10-year MDD,  
25 which for the System would be 1,970,000 gallons per day recorded from July  
26 2014. Using the System's most conservative production yield records from July  
27 2018, the System only produced a combined source flow of 720,000 gallons per  
28 day. Since the System's lowest production yield in July 2018, Well 11 was  
29 installed, adding an additional 360,000 gallons per day in source capacity.

1 Therefore, the System must construct and submit permit application(s) for  
2 additional water supply sources until an additional 890,000 gallons per day of  
3 production is achieved, which equates to the difference between the System's 10-  
4 year MDD and its lowest record of production. The System shall achieve  
5 compliance with all source capacity requirements as described in CCR, Title 22,  
6 Section 64554 no later than **December 1, 2023**. A source capacity evaluation has  
7 been included in Appendix 4 of this Order.  
8

9 5. Per the State Water Board approved Corrective Action Plan, the System shall  
10 have Well No. 12 constructed and equipped for operation into the distribution  
11 system no later than **June 1, 2022**.  
12

13 6. Per the State Water Board approved Corrective Action Plan, the System shall  
14 have Well No. 13 constructed and equipped for operation into the distribution  
15 system no later than **November 1, 2022**.  
16

17 7. Per the State Water Board approved Corrective Action Plan, if deemed necessary  
18 to comply with source capacity demand requirements as described in Directive 3  
19 of this Order, the System shall have Well No. 14 constructed and equipped for  
20 operation into the distribution system by no later than **June 1, 2023**.  
21

22 8. Per the State Water Board approved Corrective Action Plan, if deemed necessary  
23 to comply with source capacity demand requirements as described in Directive 3  
24 of this Order, the System shall have Well No. 15 constructed and equipped for  
25 operation into the distribution system by no later than **November 1, 2023**.  
26

27 9. The System must complete and submit to the Division pump tests for all sources  
28 demonstrating compliance with the source capacity requirements described in  
29 Directive 3 of this Order no later than **December 1, 2023**. Pump tests shall be

1 completed in accordance with the procedures stated under CCR, Title 22, Section  
2 64554(f).

3  
4 10. On or before **April 10, 2020** and every three months thereafter, submit a report  
5 to the State Water Board in the form provided as Appendix 5 showing actions  
6 taken during the previous quarter (calendar three months) to comply with the  
7 Corrective Action Plan.

8  
9 11. On or before **April 10, 2020** and every month thereafter, submit a report to the  
10 State Water Board summarizing source production and consumption data for the  
11 previous month.

12  
13 12. On or before **April 17, 2020** complete and return to the State Water Board the  
14 "Notification of Receipt" form attached to this Order as Appendix 6. Completion  
15 of this form confirms that the System has received this Order and understands  
16 that it contains legally enforceable directives with due dates.

17  
18 All submittals required by this Order, with exception of analytical results, must be  
19 electronically submitted to the State Water Board at the following address. The subject  
20 line for all electronic submittals corresponding to this Order must include the following  
21 information: Water System name and number, compliance order number and title of the  
22 document being submitted.

23  
24 Eric J. Zúñiga, District Engineer

25 [Dwpdist13@waterboards.ca.gov](mailto:Dwpdist13@waterboards.ca.gov)  
26



1 The State Water Board reserves the right to make modifications to this Order as it may  
2 deem necessary to protect public health and safety. Such modifications may be issued  
3 as amendments to this Order and shall be effective upon issuance.

4  
5 Nothing in this Order relieves the System of its obligation to meet the requirements of  
6 the California SDWA (CHSC, Division 104, Part 12, Chapter 4, commencing with Section  
7 116270), or any regulation, standard, permit or order issued or adopted thereunder.

#### 8 9 **PARTIES BOUND**

10 This Order shall apply to and be binding upon the System, its owners, shareholders,  
11 officers, directors, agents, employees, contractors, successors, and assignees.

#### 12 13 **SEVERABILITY**

14 The directives of this Order are severable, and the System shall comply with each and  
15 every provision thereof notwithstanding the effectiveness of any provision.

## FURTHER ENFORCEMENT ACTION

The California SDWA authorizes the State Water Board to issue a citation or order with assessment of administrative penalties to a public water system for violation or continued violation of the requirements of the California SDWA or any regulation, permit, standard, citation, or order issued or adopted thereunder including, but not limited to, failure to correct a violation identified in a citation or compliance order. The California SDWA also authorizes the State Water Board to suspend or revoke a permit that has been issued to a public water system if the public water system has violated applicable law or regulations or has failed to comply with an order of the State Water Board, or to petition the superior court to take various measures against a public water system that has failed to comply with an order of the State Water Board, including issuance of an injunction to enforce a compliance plan, enjoining further service connections, or any other relief that may be required to ensure compliance with the SDWA and applicable regulations. The State Water Board does not waive any further enforcement action by issuance of this Order.

  
Sean F. McCarthy, P.E.

March 17, 2020  
Date

Chief, South Coast Section

Southern California Field Operations Branch

1 Appendices [7]:

- 2 1. Feasibility Report for Addressing Water Source Capacity Issues
- 3 2. State Water Board Approved Corrective Action Plan
- 4 3. Financial Assessment Questionnaire for Disadvantaged Medium/Large
- 5 Community Water Systems
- 6 4. Source Capacity Evaluation
- 7 5. Quarterly Progress Report
- 8 6. Notification of Receipt Form
- 9 7. Compliance Order No. 05\_13\_18R\_002

10  
11  
12 Certified Mail No. 7017 0660 0001 1704 8464

***Sheep Creek Water Company***  
***4200 Sunnyslope Rd.***  
***P.O. Box 291820***  
***Phelan, CA 92329-1820***  
***Office (760) 868-3755/Fax (760) 868-2174***  
***Email [sheepcreek@verizon.net](mailto:sheepcreek@verizon.net) / [www.sheepcreekwater.com](http://www.sheepcreekwater.com)***

# **CORRECTIVE ACTION PLAN**

**SWRCB Compliance order NO 05-13-18R002**

**June 2019**

Updated August 28, 2019

Sheep Creek Water Company (SCWC) is a private Shareholder owned Water Company with approximately 1,400 shareholders totaling 8,000 shares in the company servicing a portion of the community of Phelan. The majority of SCWC's water supplies come from an underground Tunnel and 5 ground water wells within the Swarthout Canyon. The SCWC water system is recognized by the State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW) as Sheep Creek Water Company (Water System No. CA3610109). The water system is classified as a Community Water System and supplies water for domestic purposes to the unincorporated portions of San Bernardino County in Phelan, CA. DDW regulates the water system under Domestic Water Supply Permit No.78-007 as issued on February 9, 1978 with the newest permit amendment for Well #11 dated November 28, 2018.

Due to drought conditions in the State of California and below average rainfall in the area, in 2016, water supplies within the Swarthout Canyon continued to decline. February 2016, SCWC was capable of producing 3,001 gpm supplying an allotment of 1,000 cubic per share to the 8,000 shares available in the company. May 2016 supply dropped to 2,569 gpm with weekly drops in production and water levels. By the end of August 2016 production on the SCWC supply was down to 640 gpm. Due to the drops in production, the Board of Directors began to lower the allotment on shares to cut water use to remain within production. SCWC received water from Phelan Pinon Hills Community Service District (PPHCSD) from August 2, 2016 through September 6, 2016.

In preparation of the 2017 summer and continued lack of recharge in the Sheep Creek Canyon, the Board of Directors continued to cut the allotment to keep consumption within the available production. In spring 2018, SCWC began to see additional drops in production and water levels with the high of 1,301 gpm in February 2018 and the lowest production in July 2018 at 502 gpm. The Board of Directors continued to implement drastic cuts in the water allotment along with implementing a tiered water rate and increasing overage charges. SCWC began to receive water from PPHCSD on August 10, 2018 and on August 22, 2018, SCWC notified the SWRCB that SCWC will continue to purchase water from PPHCSD. SCWC purchased water from PPHCSD until August 30, 2018.

On August 30, 2018, SCWC received a Compliance order from the SWRCB for a Source Capacity Violation due to SCWC unable to meet the Max Day Demands (MDD). The highest recorded MDD was on July 12, 2014 with a total production of 1.78 million gallons per day (MGD). Upon the receipt of the Compliance Order, SCWC was nearly complete with a secondary source of supply within the Mojave

Water Agency boundaries located in the Alto Sub Basin. Well #11 was approved and permitted by the SWRCB, DDW on November 28, 2018 with a production of 251 gpm.

As required by the SWRCB Compliance Order, a feasibility study by Infrastructure Engineering Corporation (IEC) was completed with two alternative plans for bringing SCWC into compliance. Due to SCWC being a Shareholder owned company overseen by a Board of Directors elected by the Shareholders, the Board began exploring both alternatives for compliance. The Board of Directors planned to present both alternatives to the Shareholders at the SCWC Annual Shareholders Meeting on May 11, 2019 but did not have enough information regarding consolidation to ask for a vote. SCWC sent a letter to the SWRCB-DDW on April 19, 2019 requesting an extension of time to have a vote of the Shareholders as to the preferred alternative of compliance. On May 10, 2019, the SWRCB-DDW granted SCWC an extension of time until August 31, 2019 for preferred plan of compliance.

The following timeline for Shareholder approved alternative compliance plan:

- Revised Compliance Plan Due- June 1, 2019
- PPHCSD Discussions and Consolidation Plan- June 2019 – July 2019
  - SCWC proposed consolidation plan to be submitted to PPHCSD- June 7, 2019
  - Appraisal of Sheep Creek Water District- July 1, 2019
  - Additional Committee Meeting(s) to discuss proposed consolidation
- Discuss with SWRCB-DFA for available funding opportunities
- Prepare Special Shareholders Meeting- July – August 2019
  - Prepare agenda with proposed alternatives of compliance
  - Prepare information and material for Shareholders- July 1 – 12, 2019
  - Send information to Shareholders for Special Meeting- July 17, 2019
- Special Shareholders Meeting- August 17, 2019
  - Vote of the Shareholders to approve preferred alternative for compliance
- Notify SWRCB-DDW of Shareholder approved alternative for compliance- August 30, 2019

### **Drill Additional Well for Source Capacity Compliance**

SCWC has taken action over the past several years to reduce the systems MDD. SCWC began reducing water allotments along with reducing demand in May 2015 with the implementation of the Governor of California's Drought Regulation, mandating a 20% reduction in all water use. Along with the reductions in 2015, the SCWC Board of Directors continued to reduce water allotments as water levels and production began and continued to fall. The SCWC Board of Directors also implemented a Tiered water rate structure to reduce additional water use over Shareholders allotment.

SCWC began taking action to alleviate the source capacity issues with the approval of Well #11, to be located outside of the company's exiting well field and drilled within the Alto Sub Basin located within the Mojave Water Agencies Boundaries. CEQA was completed in early 2018 and the well was drilled and completed by fall 2018. The SWRCB approved the well into the system in November 2018 after the Source Capacity Violation was issued. The increased capacity of .36 MGD combined with the lowest capacity of .72 MGD brings the total pumping capacity of SCWC to 1.08 MGD leaving a deficit of .70 MGD. The 1.08 MGD does not take into account the regulation of the highest producing source being taken offline.



With the recommendation from the required feasibility study that was completed by IEC, up to four additional wells will need to be drilled within the SCWC water district. The assumption of four wells is based on the recently completed SCWC Well #11. Well #11 was drilled to a depth of 1,500 feet with a production of 250 GPM at a water level of approximately 950 feet below ground surface. Following approval from the SCWC Shareholders to move forward, the Board of Directors will begin the process for the installation of the first well (Well #12) in the project. SCWC will continue to drill the additional wells as needed to produce the additional .70 MGD. With the assumption that the additional wells produce .36 MGD as Well #11, a total of three wells may need to be drilled to meet the SWRCB regulation for a water systems MDD.

SCWC will locate the new wells within the best location of existing pipeline infrastructure. With locating the wells within areas of the water system that have larger diameter pipelines, this will reduce the infrastructure needed to connect the wells to the system along with reducing the cost to the Shareholders. As of this time, the cost, construction, water production and water quality for all additional wells are being based on the newly completed Well #11. Water quality is unknown and is not taken into account in the proposed timeline. Water quality will be addressed if necessary following the completion of title 22 water quality sampling.

With Shareholder approval to drill additional wells, the following will be completed for compliance:

- Continue working with CRWA for funding of new wells and possible infrastructure upgrades
- CEQA compliance for each well project needed
  - If possible, projects to be combined
- Installation of Well #12 & 13
  - Drill well with estimated depth of 1,500 feet
  - 12 – 16 inch diameter casing with estimated 500 foot louvered section
  - Test pump well with estimated production of 250 GPM or .36 MGD
  - Application for Southern California Edison- Electrical Service
  - Installation of pumping equipment
  - Well head pipe work
  - Onsite and offsite pipe work to connect to water system- Estimated distance 500 feet
  - Installation of electrical equipment and SCE service
- Installation of Well #14 & 15 (If Necessary for Compliance)
  - Drill well with estimated depth of 1,500 feet
  - 12 – 16 inch diameter casing with estimated 500 foot louvered section
  - Test pump well with estimated production of 250 GPM or .36 MGD
  - Application for Southern California Edison- Electrical Service
  - Installation of pumping equipment
  - Well head pipe work
  - Onsite and offsite pipe work to connect to water system- Estimated distance 2800 feet
  - Installation of electrical equipment and SCE service

**Funding** SCWC has been working with the California Rural Water Association (CRWA) for two years to acquire grant funding to bring SCWC into compliance and complete additional projects within the water district. SCWC will continue to work with CRWA to seek funding from SWRCB-DFA for

completion of the additional wells as recommend in the Final Engineering Report that was submitted in July 2019.

SCWC is working with a funding consultant, Waterfunder LLC, for private funding along with possible additional grant funding that may be available. The options for payment of the loans will be put to the Shareholders to vote on payment options.

Estimated cost per well is based on similar design as Well #11:

- \$900,000 per well with pipeline & electrical installation
  - Estimated cost per share per well for loan repayment- \$150 per share
    - Estimated cost is based on 10 year loan with assessment collection cost
  - Estimated cost per service connection per month per well for loan repayment- \$8.00 per service- \$960 per meter service
    - Estimated cost is based on 10 year loan with interest
- Upon approval by the SWRCB-DDW, as additional source capacity becomes available, SCWC can begin issuing new service connections with the additional funds to be available for the wells or any outstanding loans lowering the cost to the existing water users and Shareholders.

**Timeline for Compliance** With approval of the SCWC Shareholders to move forward with drilling additional wells within the SCWC water system, staff will begin moving forward with well locations for the additional wells. The plan is to work on the first two wells concurrently if possible to cut time on the project. Following approval of locations from the Board of Directors, CEQA documents will be completed and submitted. During the CEQA process, property acquisition will be completed, necessary permitting will begin and Bids will be submitted for well drilling. Following completion of test pumping, SCE application will be made, pumping equipment installed, on and off site pipe work will be completed concurrently. Documentation will be submitted to SWRCB-DDW for approval of a new water source.

### Estimated Project Timeline

ID	Task Name	Duration	Estimated Start Date	Estimated Completion Date
1.	<b>Project</b>		<b>September 2019</b>	<b>June 2023</b>
2.	Funding, Applications & Approvals		September 2020	
3.	Well Site Location & Acquisition		January 2020	
4.	CEQA Wells 12 & 13			<b>October 2020</b>
	a. Initial Study	3 months		
	b. Lead Agency Submittal	2 months		
	c. Review & Comment Period	30 days		
	d. Mitigation	4 Months		
5.	Engineering & Permitting	4 months		
6.	<b>Bid Project/Award Contract</b>	<b>60 days</b>		<b>November 2020</b>
7.	<b>Well No 12</b>		January 2021	

8. Drill, Case, Test Well	60 days		
9. Well Site Acquisition- Well 14 & 15	3 Months		
10. CEQA Wells 14 & 15 (see Item 4 a-d)	10 months		
11. Construct Well Site and Offsite Pipeline	90 days		
12. Equipment Lead Time	60 days		
13. SCE Application for Service	6 months		
14. County Permit	30 days		
15. DDW Permit	45 days		
16. Well 12 Complete	0 days		<b>December 2021</b>
17. <b>Well No 13</b>		June 2021	
18. Drill, Case, Test Well	60 days		
19. Construct Well Site and Offsite Pipeline	90 days		
20. Equipment Lead Time	60 days		
21. SCE Application for Service	6 months		
22. County Permit	30 days		
23. DDW Permit	45 days		
24. Well 13 Complete	0 days		<b>May 2022</b>
25. <b>Well No 14- If Necessary</b>		January 2022	
26. Drill, Case, Test Well	60 days		
27. Construct Well Site and Offsite Pipeline	90 days		
28. Equipment Lead Time	60 days		
29. SCE Application for Service	6 months		
30. County Permit	30 days		
31. DDW Permit	45 days		
32. Well 14 Complete	0 days		<b>December 2022</b>
33. <b>Well No 15- If Necessary</b>		June 2022	
34. Drill, Case, Test Well	60 days		
35. Construct Well Site and Offsite Pipeline	90 days		
36. Equipment Lead Time	60 days		
37. SCE Application for Service	6 months		
38. County Permit	30 days		
39. DDW Permit	45 days		
40. Well 15 Complete	0 days		<b>May 2023</b>
41. Compliance with SWRCB			<b>June 2023</b>

**Sheep Creek Water Company**  
**4200 Sunnyslope Rd.**  
**P.O. Box 291820**  
**Phelan, CA 92329-1820**  
*Office (760) 868-3755/Fax (760) 868-2174*  
*Email [sheepcreek@verizon.net](mailto:sheepcreek@verizon.net) / [www.sheepcreekwater.com](http://www.sheepcreekwater.com)*

August 26, 2020

Eric J. Zuniga, P.E.  
District Engineer  
San Bernardino District  
Southern California Field Operations Branch  
464 W. 4<sup>th</sup> Street #437  
San Bernardino, CA 92401  
[Eric.Zuniga@waterboards.ca.gov](mailto:Eric.Zuniga@waterboards.ca.gov)

RE: Compliance Order NO 05-13-18R-002A1;  
Required Directives 2a, 2c, 2d

Dear Mr. Zuniga:

As required by Compliance Order NO 05-13-18R-002A1 issued March 17, 2020 to Sheep Creek Water Company (SCWC), Directives 2a – 2d are required to be submitted to the State Water Resource Control Board by August 31, 2020. On August 17, 2020, SCWC submitted for Extension of Time to complete Directive 2b due to the time necessary to complete an Asset Management Plan.

Summary of required Directives per Compliance Order NO 05-13-18R-002A1:

**Directive 2a-** An Evaluation of the Financial Health of the systems was completed by an independent CPA firm not affiliated with SCWC. SCWC contracted with Matt Miller of Silva & Silva CPA. The past 5 years of SCWC financial statements were reviewed along with projected income. SCWC implemented a Tiered Water Rate schedule increasing revenues for Reserve Accounts, system upgrades and replacement. Attached with this letter is the Independent Accountants Report along with 5 years of SCWC Financial Statements and the current SCWC Rate Schedule.

**Directive 2b-** An Asset Management Plan is to be completed by the system. SCWC Board of Directors approved a proposal to complete the Asset Management Plan on August 13, 2020. A request for Extension of Time was submitted on August 17, 2020. SCWC approved the Engineering firm IEC which is the same firm that completed the Feasibility Study that was required by Compliance Order NO 05-13-18R-002. The estimated timeline to complete the Asset Management Plan is 5-6 months.

**Directive 2c-** Operational Cost for Well 11 since the Divisions approval on November 28, 2018. Well 11 was drilled and installed into the SCWC system for a secondary source of water supplementing the existing Wrightwood Well Field. The Wrightwood Well Field is the primary

source of water supplying the Sheep Creek Shareholders. Due to issues with Southern California Edison, Well 11 ran with power from a diesel generator until October 2019 when electrical power was completed. The cost to operate Well 11 was higher with the generator which had an average cost of \$7.40 per Hundred Cubic Feet (HCF). Average operating cost for Well 11 during normal operating conditions is \$4.47 per HCF. When Well 11 is started up for minimal running such as monthly water sampling, the cost increases due to the initial electrical demand charge higher. The cost to run Well 11 is included into the Tiered Water Rates. The average production cost for all water produced with all sources combined is \$0.72 per HCF or \$313.63 per acre foot of water produced. The average production cost for all water produced during 2019 with Well 11 running with a generator was is \$1.46 per HCF or \$635.97 per acre foot of water produced. The income during 2019 for all the water produced was \$2.21 HCF or \$962.68 per acre foot. The current average income for water produced is \$1.84 per HCF or \$801.50 per acre foot.

With continued production at the Wrightwood Well Field, production cost remain low which will always be the primary source of water. Well 11 along with the wells installed with the Source Capacity Project will be used as a secondary source of water.

**Directive 2d-** Financial Assessment Questionnaire enclosed for review.

If you have additional questions or need additional information for the Directives please let me know.

Sincerely,



Chris Cummings  
General Manager  
Sheep Creek Water Company

cc: Sean McCarthy [Sean.McCarthy@waterboards.ca.gov](mailto:Sean.McCarthy@waterboards.ca.gov)  
Hector Cazares [Hector.Cazares@waterboards.ca.gov](mailto:Hector.Cazares@waterboards.ca.gov)

# State Water Resource Control Board

Compliance Order NO 05-13-18R-002A1

Directive 2a- Evaluation of Financial Health

Rudolph F. Silva, CPA  
Lisa D. Silva, CPA

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Governing Board  
Sheep Creek Water Company  
Phelan, California

We have performed the procedures described in Schedule A, which were agreed to by Sheep Creek Water Company (the specified parties), on the financial health for the period ended December 31, 2019. The management of Sheep Creek Water Company (the System) is responsible for providing finance and accounting data use for evaluating and compiling specific exhibits as of December 31, 2019, as they relate to Compliance Order No. 05-13-18 R-002A1 Source Capacity Violation issued by the State Water Board. The sufficiency of these procedures is solely the responsibility of the Sheep Creek Water Company. Consequently, we make no representation regarding the sufficiency of the procedures referred to below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are described in *Schedule A*.

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of Sheep Creek Water Company, which would be the expression of an opinion or conclusion, respectively, on the financial statements of as of December 31, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and is not intended to be and should not be used by anyone other than these specified parties. This report relates only to the State Water Board directive per Section 116530 of the California Health and Safety Code, and items specified above and does not extend to any financial statements of Sheep Creek Water Company, taken as a whole.



Brea, California  
August 25, 2020

*Schedule A*

The following procedures were completed over the Sheep Creek Water Company per Section 116530 of the California Health and Safety Code.

1. Overall evaluation of the financial health of the System using the past five years Accountant's Compilation Report Balance Sheet and Statement of Income and Expenses.

**Results**

- a. Worksheet presented below demonstrates the system's ability to maintain consistent fee structures that are fiscally sound to manage operating expenses. For the five-year period from 2015 through 2019, revenues increased by 66% compared with expenses by 59%. Actual water consumption to fees collect is showing reduced water usage of 83% over the same five-year period. Additionally, during 2018 the system implemented a Tier rate structure that has improved fiscal health while enhancing responsible water usage.
- b. Cash on hand ratios shows the System has maintained a range of 45 days to 251 days at December 31 date for the five years (2015 to 2019). Additionally, the system has met current payments to vendors on a timely basis.
- c. Additionally, working capital ratio has remained positive over the years. Only one situation was noted when unusual legal costs were paid by installments.

Summarized below are the past five fiscal years ended December 31:

	2019	2018	2017	2016	2015
Cash	\$ 282,176	\$ 449,371	\$ 592,015	\$ 296,629	\$ 89,012
Accounts receivable	230,724	25,962	149,940	44,864	113,693
Inventory	121,509	116,972	99,531	90,737	84,015
Other Assets	222	27,852	21,926	19,787	22,576
Total Current Assets	634,631	620,157	863,412	452,017	309,296
Property and Equipment	12,020,121	11,779,704	10,651,005	10,491,235	10,264,992
Less: Accumulated Depreciation	(5,963,007)	(5,681,816)	(5,525,773)	(5,287,175)	(5,025,021)
Total Assets	\$ 6,691,745	\$ 6,718,045	\$ 5,988,644	\$ 5,656,077	\$ 5,549,267
<b>Day of cash on hand</b>	92	173	251	137	45
Current Liabilities	\$ 26,748	\$ 20,506	\$ 27,463	\$ 18,960	\$ 37,648
Long-Term Liabilities	476,416	614,130	388,078	410,756	274,199
Total Liabilities	503,164	634,636	415,541	429,716	311,847
Shareholder Equity	9,763,738	9,731,144	9,234,982	9,012,100	8,989,030
Retained Earnings	(3,575,157)	(3,647,735)	(3,661,879)	(3,785,739)	(3,751,610)
Total Shareholder Equity	6,188,581	6,083,409	5,573,103	5,226,361	5,237,420
Total Liabilities and Shareholder Equity	\$ 6,691,745	\$ 6,718,045	\$ 5,988,644	\$ 5,656,077	\$ 5,549,267
<b>Income</b>					
Water Sales	\$ 1,283,819	\$ 1,054,592	\$ 932,810	\$ 877,459	\$ 767,227
Other income	10,672	14,855	7,374	4,833	7,384
Total Income	1,294,491	1,069,447	940,184	882,292	774,611
<b>Expenses</b>					
Operating expenses (excluding Depreciation)	1,117,852	945,962	860,454	790,435	726,571
Depreciation	283,506	245,841	255,928	262,155	265,443
Other expenses	1,730	821	869	800	800
Total Expenses	1,403,088	1,192,624	1,117,251	1,053,390	992,814
Net Income (Loss)	\$ (108,597)	\$ (123,177)	\$ (177,067)	\$ (171,098)	\$ (218,203)



2. Evaluation of management and outstanding debt along with impending debt because of the order.

## Results

- a. Over the past five years, debt service coverage ratios have averaged above 1.10% (net income over debt payments), and all debt payments have been made in accordance with terms. The debt service payment have been for skip loader from CCH industrial for \$ 91,388 (five years starting in 2016 at 3%), Vehicles loans ranging from \$22,830 to \$52,050 (2 or 3 year terms at 4% to 5%) and Shareholder loans ranging from \$80,000 to \$400,000 (five-year terms at 5% to 6.5%.All Shareholder loans were entered into for specific projects designated by the Board of Directors.
  - b. In June 2020, the System entered into a Single Advance Term Promissory Note with average interest rate of 2.4% currently in an amount not to exceed \$410,000 to refinance the Shareholder loans into one payment. Payments will begin on July 2020 over four years at approximately \$8,900 monthly.
  - c. In June 2020, the System entered into a Multiple Advance Term Promissory Note with a variable rate at under a Converted Term Loan with 3 different Tranches starting June 20, 2021, not to exceed \$4,000,000. Payment will begin following the first June 20, 2021, date over a 20-year period. The Multiple advances will correspond to the project order dates for Wells #12, #13,#14 and #15 (starting in 2021 to 2023).
3. Evaluation of financed documentation and demonstration of how funding (new proposed fee structure) with be obtained throughout the loan terms for repayment.

## Results

- a. As noted above, the system obtained a \$4 million Multiple Advance Term Promissory Note with term flexible to meet the installation of four wells as outlined in the order.
- b. The system has the following 2 options showing detailed schedules to repay the new funding over a 20-year period. The System has not conducted a vote as of this report to determine which option will be implemented.

Overall increased rates are comparable to other water agencies when comparing base fee and water usage fees combined.

### Project cost per meter service (Base Rate)

<u>Option 1</u>									
Loan Amount	Term Years	Interest Rate	Monthly P&I	Monthly Cost per	Total Cost per Meter	Cost per Day	Estimated Monthly Revenue	Estimated Annual Revenue	Estimated 20 YR Term Revenue
\$ 4,000,000.00	20	4.25%	\$ 25,000	\$ 21.01	\$ 5,042.02	\$ 0.69	\$ 25,000.00	\$ 300,000.00	\$ 6,000,000.00

### Option 2

#### Project cost per Share (Assessment)- including collection cost

Loan Amount	Term Years	Interest Rate	Monthly P&I Payment	Annual Assessment Cost per Share	Total Cost per Share	Cost per Day	Estimated Annual Revenue	Estimated 20 YR Term Revenue
\$ 4,000,000.00	20	4.25%	\$ 25,000	\$ 39.07	\$ 781.41	\$ 0.11 per share	\$ 312,563.56 Includes Assessment Collection Cost	\$ 6,251,271.13

4. Review calculations for expected increase in operational expenses for additional wells outlined in the order.

2020	Well 11 Actual Production- Gal	SCE Billing	MWA Fees	Well Maintenance	Total Well 11 Cost to Run	per HCF Pumped	
JAN	\$ -	\$ 211.89	\$ -	\$ -	\$ 211.89	\$ -	
FEB	180,788.00	1,720.55	360.58	181.27	2,262.40	9.36	Installation of new controls & Testing
MAR	72,700.00	1,527.25	145.00	72.89	1,745.14	17.96	
APR	399,000.00	2,045.30	795.80	400.07	3,241.16	6.08	
MAY	548,900.00	1,739.96	1,094.77	550.37	3,385.10	4.61	
JUNE	1,890,700.00	6,018.74	3,770.96	1,895.76	11,685.45	4.62	Installation of new SCADA Controls & Testing
JUL	2,439,594.00	6,331.00	4,865.71	2,446.12	13,642.83	4.18	
AUG		-	-	-	-		
SEP		-	-	-	-		
OCT		-	-	-	-		
NOV		-	-	-	-		
DEC		-	-	-	-		
	\$ 5,531,682.00	\$ 19,594.69	\$ 11,032.81	5,546.47	\$ 36,173.97	\$ 4.89	

Average cost per of water from Well 11 during normal full-time operating conditions - \$4.47 per HCF / \$1,947 per Acre Foot

\*Average cost to run Well 11 when well is not being used for full time operation is much higher due to the electrical demand cost when the well is first turned on for the billing period

**Results:**

- The system has project cost for Wells #12, #13 and #14 using the recent implemented Well #10 as a standard to estimate future additional operating costs. Assuming the new wells along with well #11 produce what well #11 produced last year, the estimated usage would be approximately 40-acre feet. Estimated cost to produce is \$1,947 per acre foot. The 40-acre feet could be divided between wells #11, #12, and #13. During non-drought years, wells #11, #12, and #13 would have minimal use since the Wrightwood Well Field will supply the needed water and is much more cost effect to operate.
- Based on assumed operating usage the anticipated additional cost would range from \$19,470 to \$77,880 (usage ranging from 10 to 40-acre feet). Additional operating usage costs will be managed by the proposed rate structure being implemented in 2020.

5. Evaluation of management and status of the System's reserve funds

	2019	2018	2017	2016	2015
Assessment	\$ 93,276	\$ 231,668	\$ 229,196	\$ 978	\$ 986
Capital Improvements	98,739	22,585	9,585	9,561	4,543
System upgrades	37,004	19,615	37,681	18,054	27,552
Wells	34,481	70,419	184,063	185,144	27,118
Total	<u>\$ 263,500</u>	<u>\$ 344,287</u>	<u>\$ 460,525</u>	<u>\$ 213,737</u>	<u>\$ 60,199</u>

Percentage increase      **39%** Overall net increase during the past five years

## Results:

Reserve accounts have been verified for the past five years. The system has implemented additional funding priority using the Tiers 1,2,and 3 beginning in 2018 (shown below) and will make adjustments to the table below to designated additional funding for reserves to meet the financial covenant in accordance with Multiple Advance Term Promissory Note.

Month	Total Usage	Tier 1 Usage	Tier 2 Usage Well 11	Tier 3 Usage Overage	Month
JAN	12,480.62	7,242.21	2,506.00	2,732.41	JAN
FEB	10,979.96	6,266.14	2,672.00	2,041.82	FEB
MAR	10,326.75	5,639.45	3,225.00	1,462.30	MAR
APR	16,381.09	10,952.85	2,500.00	2,928.24	APR
MAY	17,288.19	11,097.04	3,200.00	2,991.16	MAY
JUNE	19,468.72	11,360.44	3,800.00	4,308.28	JUNE
JUL	24,332.53	13,345.80	3,950.00	7,036.73	JUL
AUG	24,571.73	13,269.07	3,900.00	7,402.66	AUG
SEP	21,868.39	12,256.22	3,763.00	5,849.17	SEP
OCT	19,743.60	12,541.29	3,250.00	3,952.31	OCT
NOV	13,907.07	9,951.45	1,500.00	2,455.62	NOV
DEC	12,938.87	8,990.84	1,350.00	2,598.03	DEC
TOTAL	204,287.52	122,912.80	35,616.00	45,758.72	TOTAL

### Monthly Deposits

Total Well Maintenance	Tier 2 & 3- \$1.46 MWA Fees	Tier 3-\$2.00 Improvement	Tier 3-\$1.13 Assessment	System Upgrade	Well 11 \$5.00 Assessment
\$ 3,120.16	\$ 3,658.76	\$ 5,464.82	\$ 3,087.62	\$ 3,750.00	\$ -
2,744.99	3,901.12	4,083.64	2,307.26	3,750.00	-
2,581.69	4,708.50	2,924.59	1,652.39	3,750.00	-
6,809.39	3,650.00	5,856.48	3,308.91	3,750.00	-
7,417.63	4,672.00	5,982.31	3,380.01	3,750.00	-
8,921.32	5,548.00	8,616.56	4,868.36	3,750.00	-
11,576.50	5,767.00	14,073.46	7,951.50	3,750.00	-
11,794.26	5,694.00	14,805.32	8,365.01	3,750.00	-
10,273.18	5,493.98	5,849.17	6,609.56	3,750.00	5,970.00
8,537.06	4,745.00	7,904.62	4,466.11	3,750.00	5,950.00
5,454.58	2,190.00	4,911.25	2,774.85	3,750.00	5,950.00
5,208.73	1,971.00	5,196.06	2,935.77	3,750.00	5,925.00
\$ 84,439.48	\$ 51,999.36	\$ 85,668.28	\$ 51,707.36	\$ 45,000.00	\$ 23,795.00

Well Account

Capital Improvement Account

Assessment Account

System Upgrade Account

6. Provide a summarized conclusion on the overall current and anticipated financial health

**Results:**

- a. For the current financial health, the System has demonstrated over the past 5 years to be fiscally responsible for managing overall operations which includes maintaining cash flows, working capital, collections of receivables, and meeting debt obligations while providing members demand for quality water.
- b. As for the anticipated financial health, the System has worked diligently to secure the required flexible funding for additional water capacity, refinanced existing shareholder loans under lower rates, established funding option that are comparable in current market fee structures and project a multi-year budget that demonstrates adherence to future operations.

# State Water Resource Control Board

## Compliance Order NO 05-13-18R-002A1

### Directive 2c- Operational Cost of Well 11

(Including Total Production Cost per HCF & Income per HCF)

# SHEEP CREEK WATER COMPANY

## Well #11 Operation & Maintenance Cost

Well 11 cost are covered under Tier 2 and Tier 3 charges. During the 2019 year, a diesel generator was used to operate the well due to easement issues with Southern California Edison. Electrical power was completed in October 2019

2019	Well 11 Actual Production- Gal	Generator Rental	Diesel Fuel	MWA Fees	Well Maintenance	Well 11 Cost to Run	Well 11 Cost per HCF
JAN	250,600	\$ 6,922.04	\$ -	\$ 499.82	251.27	\$ 7,673.13	\$ 22.90
FEB	267,200	\$ 5,987.16	\$ -	\$ 532.92	267.91	\$ 6,788.00	\$ 19.00
MAR	322,500	\$ 5,987.16	\$ 1,002.33	\$ 643.22	323.36	\$ 7,956.07	\$ 18.45
APR	663,600	\$ 6,025.95	\$ 2,158.89	\$ 1,323.53	665.37	\$ 10,173.75	\$ 11.47
MAY	988,800	\$ 6,025.95	\$ 3,600.00	\$ 1,972.14	991.44	\$ 12,589.53	\$ 9.52
JUNE	2,385,700	\$ 6,025.95	\$ 4,555.83	\$ 4,758.22	2,392.08	\$ 17,732.08	\$ 5.56
JUL	2,291,300	\$ 5,930.79	\$ 5,200.79	\$ 4,569.94	2,297.43	\$ 17,998.95	\$ 5.88
AUG	2,739,700	\$ 5,930.79	\$ 5,398.11	\$ 5,464.27	2,747.03	\$ 19,540.19	\$ 5.33
SEP	2,481,500	\$ 5,930.79	\$ 4,811.04	\$ 4,949.29	2,488.14	\$ 18,179.26	\$ 5.48
OCT	456,100	\$ 5,930.79	\$ 1,011.03	\$ 909.68	457.32	\$ 8,308.82	\$ 13.63
NOV	44,800	\$ 200.23	\$ 0.00	\$ 89.35	44.92	\$ 334.50	\$ 5.58 *
DEC	0	\$ 202.81	\$ 0.00	\$ 0.00	0.00	\$ 202.81	\$ - *
	<b>12,891,800</b>	<b>61,100</b>	<b>27,738</b>	<b>25,712</b>	<b>12,926</b>	<b>127,477</b>	<b>\$ 7.40</b>

\*November & December Generator Rental cost are for SCE.

# SHEEP CREEK WATER COMPANY

## Well #11 Operation & Maintenance Cost

Well 11 cost are covered under Tier 2 and Tier 3 charges.

2020	Well 11 Actual Production- Gal	SCE Billing	MWA Fees	Well Maintenance	Total Well 11 Cost to Run	Well 11 Cost per HCF	
JAN	-	\$ 211.89	\$ -	-	\$ 211.89	0	
FEB	180,788	\$ 1,720.55	\$ 360.58	181.27	\$ 2,262.40	\$ 9.36	*
MAR	72,700	\$ 1,527.25	\$ 145.00	72.89	\$ 1,745.14	\$ 17.96	
APR	399,000	\$ 2,045.30	\$ 795.80	400.07	\$ 3,241.16	\$ 6.08	**
MAY	548,900	\$ 1,739.96	\$ 1,094.77	550.37	\$ 3,385.10	\$ 4.61	**
JUNE	1,890,700	\$ 6,018.74	\$ 3,770.96	1,895.76	\$ 11,685.45	\$ 4.62	
JUL	2,439,594	\$ 6,331.00	\$ 4,865.71	2,446.12	\$ 13,642.83	\$ 4.18	
AUG		\$ -	\$ -	-	\$ -	\$ -	
SEP		\$ -	\$ -	-	\$ -	\$ -	
OCT		\$ -	\$ -	-	\$ -	\$ -	
NOV		\$ -	\$ -	-	\$ -	\$ -	
DEC		\$ -	\$ -	-	\$ -	\$ -	
	<b>5,531,682.00</b>	<b>\$ 19,594.69</b>	<b>\$ 11,032.81</b>	<b>5,546.47</b>	<b>\$ 36,173.97</b>	<b>\$ 4.89</b>	

\*Installation of new controls & Testing

\*\*Installation of new SCADA Controls & Testing

1 Average cost per HCF from Well 11 during normal full time operating conditions- \$4.47 per HCF / \$1,947 per Acre Foot.

2 Well 11 is not used as a primary well on a continuous basis.

3 Average cost to run Well 11 when well is not being used for full time operation is much higher due to the electrical demand cost when the well is first turned on for the billing period

4 Southern California Edison has been connected for less then 1 year giving Well 11 less then 1 year of pumping records with electrical billing.

**SHEEP CREEK WATER COMPANY**  
Production Operation & Maintenance Cost

<b>2020</b>	<b>Total Production- HCF</b>	<b>SCE Total kWh's Used</b>	<b>SCE Billing- including service fees</b>	<b>MWA Fees</b>	<b>Well Maintenance</b>	<b>SCWC Production Cost per kWh</b>	<b>SCWC Production Cost per HCF</b>
JAN	14,496	12,772	\$ 2,763.55	\$ 846.90	\$ 3,026.93	\$ 0.22	\$ 0.46
FEB	14,715	16,240	\$ 4,819.85	\$ 803.00	\$ 2,838.19	\$ 0.30	\$ 0.57
MAR	14,553	11,095	\$ 3,242.42	\$ 1,095.00	\$ 2,864.29	\$ 0.29	\$ 0.49
APR	15,300	16,241	\$ 5,128.76	\$ 1,204.50	\$ 4,603.83	\$ 0.32	\$ 0.71
MAY	25,185	28,203	\$ 5,829.47	\$ 1,825.00	\$ 7,999.54	\$ 0.21	\$ 0.62
JUNE	27,533	42,811	\$ 11,990.40	\$ 2,628.00	\$ 9,813.07	\$ 0.28	\$ 0.89
JUL	31,554	39,769	\$ 8,938.38	\$ 7,665.00	\$ 12,932.55	\$ 0.22	\$ 0.94
AUG	-	-	\$ -	\$ -	\$ -	\$ -	\$ -
SEP			\$ -	\$ -	\$ -	\$ -	\$ -
OCT			\$ -	\$ -	\$ -	\$ -	\$ -
NOV			\$ -	\$ -	\$ -	\$ -	\$ -
DEC			\$ -	\$ -	\$ -	\$ -	\$ -
<b>Totals</b>	<b>143,336.52</b>	<b>167,131.00</b>	<b>\$ 42,712.83</b>	<b>\$ 16,067.40</b>	<b>\$ 44,078.40</b>	<b>\$ 0.26</b>	<b>\$ 0.72</b>

1 2020- Averse cost per HCF of total water produced- \$0.72 HCF / \$313.63 per Acre Foot



# SHEEP CREEK WATER COMPANY

## Production Operation & Maintenance Cost

2019	Total Production-HCF	SCE Total kWh's Used	SCE Billing- including service fees	Well 11 Generator Cost	MWA Fees	Well Maintenance	SCWC Production Cost per kWh	SCWC Production Cost per HCF
JAN	12,481	20,099	\$ 2,569.30	\$ 6,922.04	\$ 5,658.76	\$ 3,026.93	\$ 0.13	\$ 1.46
FEB	10,980	20,227	\$ 3,223.62	\$ 5,987.16	\$ 3,901.12	\$ 2,838.19	\$ 0.16	\$ 1.45
MAR	10,327	15,774	\$ 2,000.54	\$ 6,989.49	\$ 4,708.50	\$ 2,864.29	\$ 0.13	\$ 1.60
APR	16,381	24,876	\$ 3,529.92	\$ 8,184.84	\$ 3,650.00	\$ 4,603.83	\$ 0.14	\$ 1.22
MAY	17,288	25,099	\$ 3,379.46	\$ 9,625.95	\$ 4,672.00	\$ 7,999.54	\$ 0.13	\$ 1.49
JUNE	19,469	31,167	\$ 5,581.09	\$ 10,581.78	\$ 5,548.00	\$ 9,813.07	\$ 0.18	\$ 1.62
JUL	24,333	31,207	\$ 4,535.44	\$ 11,131.58	\$ 5,767.00	\$ 12,932.55	\$ 0.15	\$ 1.41
AUG	24,572	38,960	\$ 5,605.04	\$ 11,328.90	\$ 5,694.00	\$ 18,429.00	\$ 0.14	\$ 1.67
SEP	21,868	22,542	\$ 4,114.12	\$ 10,741.83	\$ 5,493.98	\$ 16,401.00	\$ 0.18	\$ 1.68
OCT	19,744	28,088	\$ 3,184.92	\$ 6,941.82	\$ 4,745.00	\$ 14,808.00	\$ 0.11	\$ 1.50
NOV	13,907	17,046	\$ 2,777.06	\$ -	\$ 2,190.00	\$ 10,430.25	\$ 0.16	\$ 1.11
DEC	12,939	12811	\$ 2,409.98	\$ -	\$ 1,971.00	\$ 9,704.25	\$ 0.19	\$ 1.09
<b>Totals</b>	<b>204,289.00</b>	<b>287,895.96</b>	<b>\$ 42,910.49</b>	<b>\$ 88,435.39</b>	<b>\$ 53,999.36</b>	<b>\$ 113,850.90</b>	<b>\$ 0.15</b>	<b>\$ 1.46</b>

1 2019- Average cost per HCF of total water produced- \$1.46 HCF / \$635.97 per Acre Foot

2 2019 production cost are higher due to Generator use at Well 11

# SHEEP CREEK WATER COMPANY

## Income per Hundred Cubic of Water Produced

2019	Total Production-HCF	Income Tier 1 & 2	Income Tier 3	Tier Income per HCF Produced
JAN	12,481	\$ 8,726	\$ 17,269	\$ 2.08
FEB	10,980	\$ 7,823	\$ 12,904	\$ 1.89
MAR	10,327	\$ 7,027	\$ 9,242	\$ 1.58
APR	16,381	\$ 13,017	\$ 18,506	\$ 1.92
MAY	17,288	\$ 14,173	\$ 18,904	\$ 1.91
JUNE	19,469	\$ 16,654	\$ 27,228	\$ 2.25
JUL	24,333	\$ 20,599	\$ 44,472	\$ 2.67
AUG	24,572	\$ 20,381	\$ 46,785	\$ 2.73
SEP	21,868	\$ 17,476	\$ 36,967	\$ 2.49
OCT	19,744	\$ 17,393	\$ 24,979	\$ 2.15
NOV	13,907	\$ 10,196	\$ 15,520	\$ 1.85
DEC	12,939	\$ 9,405	\$ 16,420	\$ 2.00
Totals	204,289	\$ 162,870	\$ 289,195	\$ 2.21

2020	Total Production-HCF	Income Tier 1 & 2	Income Tier 3	Tier Income per HCF Produced
JAN	14,496	\$ 7,884	\$ 19,187	\$ 1.87
FEB	14,715	\$ 8,193	\$ 10,530	\$ 1.27
MAR	14,553	\$ 7,837	\$ 11,208	\$ 1.31
APR	15,300	\$ 9,486	\$ 11,889	\$ 1.40
MAY	25,185	\$ 16,540	\$ 30,108	\$ 1.85
JUNE	27,533	\$ 19,572	\$ 39,937	\$ 2.16
JUL	31,554	\$ 20,569	\$ 50,596	\$ 2.26
AUG			\$ -	\$ -
SEP			\$ -	\$ -
OCT			\$ -	\$ -
NOV			\$ -	\$ -
DEC			\$ -	\$ -
Totals	143,337	\$ 90,080	\$ 173,456.45	\$ 1.84

Tiered Water Rates- See Tiered Water Rate Schedule

Tier 1- \$0.50 per HCF

Tier 2- \$3.46 per HCF

Tier 3- \$6.32 per HCF

**Sheep Creek Water Company**  
**4200 Sunnyslope Rd.**  
**P.O. Box 291820**  
**Phelan, CA 92329-1820**

**Tiered Water Use Rates- Board Approved September 20, 2018**

**Additional Well 11 Base Rate Approved August 17, 2019**

	Tier 1 Allotment 750/150 cf	Tier 2 Allotment 150 cf	Tier 3 Overage	*Tier 3 Overage With Purchased Water
SCWC Unit Cost- Electricity Cost- Wrightwood	\$0.25	\$0.00	\$0.00	\$0.00
SCWC Unit Cost- Well Maintenance	\$0.25	\$0.75	\$0.75	\$0.25
SCWC Unit Cost- Electricity Well #11 Smoketree	\$0.00	\$1.25	\$1.00	\$0.00
SCWC Penalty Rate	\$0.00	\$0.00	\$1.99	\$0.00
Purchased Water Cost	\$0.00	\$0.00	\$0.00	\$4.62
Assessment Revenue (\$30 per Share)-	\$0.00	\$0.00	\$1.13	\$1.13
MWA / AV Cost per HCF (Repl. Water)	\$0.00	\$1.46	\$1.46	\$1.46
<b>TOTAL Water Consumption Rate</b>	<b>\$0.50</b>	<b>\$3.46</b>	<b>\$6.32</b>	<b>\$7.45</b>
<b>Monthly Meter Charge</b>	\$55.00	No Change		*Only Charged when water is purchased from another water agency.
<b>Monthly Meter Charge- Well 11 Loan</b>	\$5.00	9-1-2019 - 10-1-2024		
<b>Electric/Drought Surcharge per HCF</b>	\$0.15	Removed January 2019		

<b>Mojave Water Agency</b>	
<b>Cost for Replacement Water- MWA</b>	
MWA Cost per AF 2017/2018:	\$635.00
1 AF = 435.60 HCF	435.60
Total per HCF:	\$1.46
When applicable (determined each year), charged only if there is a replacement obligation.	
<b>Water Production Improvements</b>	
<b>Assessment Revenue (\$30 per Share)-</b>	
Annual Assessment Revenue	\$240,000.00
Approx. # of Services	1,185
Average per Service	\$202.53
Annual Consumption per EDU	180
Total per HCF	\$1.13
<b>Cost of Connection Fee per HCF- (Penalty Rate)</b>	
Connection Cost per EDU	\$10,750.00
Average years/EDU	30
Average cost per year for connection fee	\$358.33
Annual consumption (HCF) per EDU	180
Total per HCF	\$1.99

<b>Current Water Rates</b>	
Tier 1- Allotment	<b>\$0.50 per HCF</b>
Tier 2- Allotment	<b>\$3.46 per HCF</b>
Tier 3- Overage	<b>\$6.32 per HCF</b>
Base Rate- Monthly Service Charge	<b>\$55.00 Meter Service</b>
Well 11 Loan- Monthly Service Charge	<b>\$5.00 Meter Service</b>

\*These amounts are current and are subject to change each year.

# State Water Resource Control Board

Compliance Order NO 05-13-18R-002A1

Directive 2d- Financial Questionnaire

## **Financial Assessment Questionnaire for Disadvantaged Medium/Large CWS**

### **Asset Management**

- 1) Do you have as-built drawings and maps of all water system facilities showing the locations of each water source, treatment facilities, pumping plant(s), storage tanks, water mains, isolation valves, etc.? **Most facilities have drawings.** When were the schematic drawings and maps last updated? **Drawings are typically updated when facilities are installed. Some facilities do not have drawings.**
- 2) Do you have an asset inventory? **Inventory available for most of the assets.**
- 3) Do you evaluate assets for their condition and/or criticality of repair, rehabilitation, or replacement? **No detailed evaluation.** What is the date of the last evaluation? **No Date**
- 4) Do you have an asset management plan? **Not at this time, in process.** What is the date of the plan? **No Date**

### **Strategic Plans - Master Plan / Capital Improvement Plan / Facility Replacement and Refurbishment Plan**

- 5) Do you have a Master Plan (MP), Capital Improvement Plan (CIP), or another strategic plan? **Master Plan.** What is the date of the last update? **2006**
- 6) What percent of your annual budget is allocated to CIP reserve? **Capital Improvement Funds are determined by a portion of Tier 3 water sales.** How often is the CIP Reserve funded? **Monthly.** Is the annual amount funded to the CIP reserve equal to or greater than the amount of depreciation of system assets? **Less.**

### **Reserves Management**

- 7) Do you maintain separate reserve funds? **Yes** If so, do you have the following types of reserve funds:
  - a. Debt Choose an item. What percent of your budget is deposited annually? Choose an item.
  - b. Operations Choose an item. What percent of your budget is deposited annually? Choose an item.
  - c. Emergency Choose an item. What percent of your budget is deposited annually? Choose an item.
  - d. Capital Choose an item. What percent of your budget is deposited annually? Choose an item.
  - e. **4 reserve accounts are dedicated for improvements and maintenance.**
    - **System Upgrade Account- \$3,750 per month transferred from monthly service charge for the use of maintenance and upgrades to the system such as but not limited to new or replacement fire hydrants, gate valves and regulator stations.**

- Well Account- \$0.25 per HCF of water sold transferred monthly. Well Account is used for well maintenance and well rehabilitation. Replacement water funds for Mojave Watermaster are transferred into the Well Account. Replacement water is due to wells within the Mojave Water Adjudication that do not have water rights. Currently funds are low in this account due to being a new reserve account. Account was previously used for well loan repayments.
- Capital Improvement Account- \$2 per HCF of water sold in Tier 3 is transferred monthly into the Capital Improvement Account.
- Assessment Account- \$1.13 per HCF of water sold in Tier 3 is transferred monthly into the Assessment Account. The Assessment Account is used for large capital improvement projects (New Wells, New Tanks etc.). The Assessment Account is currently being used for the CoBank Loan for the Source Capacity Project.

8) Are there specific deposit and withdrawal policies or guidelines for the reserve accounts? **Monthly Transfers are based on the water usage for the month.**

9) Do you have mutual aid arrangements in place? **Yes**

a. Do you have a funding mechanism in place to support mutual aid requests? **No**

### **Debt Management**

10) Do you have any outstanding private, State, or Federal loans related to the water system?

**Yes.** If so, what is the date of final debt payout? **2 private loans currently being refinanced.**

Is the water system delinquent or in default on any debt(s)? **No**

11) Are all the necessary debt reserve requirements met? **In process to meet reserve requirements for Source Capacity Project Loan**

12) Is the water system utilizing long-term debt to finance operations? **No, long term debt has been used to rehabilitate wells and line replacements.**

### **Financial Budgeting**

13) Is your drinking water system budget maintained separately from other utility or service budgets? **There is one budget for the Company**

14) Does your drinking water system prepare an annual budget document for the upcoming year's operating plan, clearly identifying the projected revenue? **Budget is prepared annually to include operating expenses and projected income with projected water sales.** Is this budget adopted before the beginning of the fiscal year? **Budget is adopted in November/December to begin for January.**

### **Financial Planning**

15) Have revenues been sufficient to cover expenses for the past three years? **Yes**

a. Are total revenues sufficient to cover total expenses (including the debt payment, CIP upgrades, and the costs of emergency maintenance)? **At this time, current revenue will not cover newly acquired line of credit for Source Capacity Project.**

b. Are rates high enough to meet short term and long-term needs? **Yes for short term, long term will need to be evaluated at a later date.**

- c. Is there a formal growth-pays-for-growth policy and is it reflected in the rate structure? **No**
- d. When was the last rate increase? **January 2019**
- e. When were water rates last evaluated? **September 2018**

16) What percentage of customers do not pay their bill? Choose an item. Is non-payment absorbed into the budget? **No payment arraignments are made with customers to pay their bills.** Are there reserves maintained to make-up for customer non-payment? **No unpaid accounts can be attached to the Shareholders share and will be collected when a share is sold.**

### **Financial Accounting**

- 17) Does the water system have formal accounting systems and written procedures for financial records? **SCWC uses Quickbooks with additional booking completed by outside CPA who also completes tax returns, quarterly payroll returns and year end financial report.**
- 18) Who records financial transactions? **Accounts Payable Secretary (April Chaplin) / outside CPA** Who approves financial transactions? **General Manager (Chris Cummings)**
- 19) How often are bank statements reconciled against the water system's accounting records? **Monthly** Who performs the reconciliation? **Accounts Payable Secretary (April Chaplin) / outside CPA**

### **Financial Reporting**

- 20) Are financial reports/standard financial statements prepared for review by the governing board/auditor? **SCWC CPA** How often? **Annually.** Are these reports and standards routinely made available to system customers? **Yes, Uploaded to SCWC Website and mailed to Shareholders with Annual Meeting Packet.**

### **Board Members Training**

- 21) Have board members received training on financial budgeting and obligations, if applicable? **Board has received AB54 and AB 240 required training.**