BOX SPRINGS MUTUAL WATER COMPANY

21740 Dracaea Avenue, Moreno Valley, CA 92553
(951) 653-6419

Tuesday, November 17th, 2026 – 4:30pm

Board Meeting Agenda

I. CALL TO ORDER

II. ROLL CALL

President	(Mac) John McDermott
Vice President	Ron Gonzales
Secretary	Valentina Schafer
Treasurer	Misty Rose
Director	Charles Campbell

III. PUBLIC COMMENTS

IV. REVIEW PREVIOUS BOARD MEETING MINUTES

V. GENERAL MANAGERS REPORT

a. **Financial Review**
   i. P&L Report
   ii. Budget Status Report
   iii. Bank Accounts

b. **Billing Update**
   i. Total Billed
   ii. Total Received
   iii. Past Due - Water Service
      - 30 to 60 days
      - >60 days
   iv. Past Due – Assessment Only

c. **Action Item**
   i. BSMWC Employee Handbook
   ii. 2025 Financial Statement
   iii. Rate increase 2027 (5% recommendation)

Month (2026)	Index (CPI-U)	Change from a year earlier
January	139.602	+3.2%
March	140.728	+3.1%
May	142.170	+3.4%
July	142.088	+3.2%
September	142.969	+3.6%

d. **New Development Projects**
   i. **LDC – Day Street**
   ii. **SAWPA Grants**
      - New Well
      - PFAS Treatment
   iii. **New Apartments on Cottonwood**

VI. CLOSED SESSION

VII. ADJOURNMENT

BOX SPRINGS MUTUAL WATER COMPANY

21740 Dracaea Avenue, Moreno Valley, CA 92553
(951) 653-6419

Tuesday, October 20th, 2026

Board Meeting Minutes

I. **CALL TO ORDER** – called to order at 4:30pm

II. **ROLL CALL**

President	(Mac) John McDermott – present
Vice President	Ron Gonzales – present by phone
Secretary	Valentina Schafer - Absent
Treasurer	Misty Rose - present
Director	Charles Campbell – present at 4:53pm

Others also in attendance: Mark Iverson – General Manager and Nancy Law – Office Manager.

III. **PUBLIC COMMENTS** – none

IV. **REVIEW PREVIOUS BOARD MEETING MINUTES** – The Board minutes from the September 22nd, 2026, meeting, were distributed and reviewed. Ron Gonzales motioned to accept, and Misty Rose seconded. The minutes were approved 3-0.

V. **GENERAL MANAGERS REPORT**

a. **Financial Review**

i. P&L Report - distributed and reviewed

- Mark noted that he and Nancy reviewed the P&L and identified several project-related charges that needed to be reclassified. These adjustments have been made to ensure the P&L accurately reflects the company's operating financials.

ii. Budget Status Report - distributed and reviewed

- Mark stated that the budget is looking good for September we have income of $101.099.00 for the year $860,964.00. compared to last years $777,866.00 rate increase are showing. On Expenses net income for September, we profit of $19,227.00 for the year $35,762.00 compared to last year of net loss of $23,319.00. basically, we are seeing the 4% in inflation we only have negatives April and June, June due to the renewals of Insurance. And we also paid for our current software for 3 years along with the truck we brought back there is always going to be those one-time things but overall very positive for the year.

iii. Bank Accounts – distributed and reviewed

b. **Action Item**
   i. Approval of BSMWC Employee Handbook
      - Mark stated that this is something the company has been working on for the past couple of years. The document presented reflects staff's recommendations. If the Board agrees with the proposed revisions, Mark would like to have the attorney review the document one final time. If the attorney has no further comments, the document can be brought back for adoption at the next Board meeting and then distributed to employees.

c. **Billing Update**

i.	Total Billed July 2026	$110,814.67
ii.	Total Received	$112,613.33
iii.	Past Due - Water Service	
	o 30 to 60 days	$ 6,761.52
	o >60 days	$ 3,307.20
iv.	Past Due – Assessment Only	$ 108,722.99

Mark noted that the assessment numbers had increased significantly. Nancy explained that this could be due to a recent update to the reporting section of the Current software, which may now be providing more accurate figures. Mark asked Nancy to verify the numbers with Current and confirm their accuracy, noting that the expected increase should only be 5%. He also requested clarification on whether the previous figures were accurate before the software update or if the new figures reflect the correct amounts.

d. **New Development Projects**

Mark presented a video highlighting the improvements being completed at the Tank Farm, including the extensive cleanup of the property and the placement of asphalt grindings in the yard to prevent mud and standing water during rainy weather. He also showed the new aggregate storage bins. Both Mac and Misty expressed surprise at the significant amount of cleanup and improvement made to the property.

   i. **LDC – Day Street –**
      - Mark reported that progress is being made. He spoke with Larry this week, and it looks like the connection will take place toward the end of this year or early next year.

   ii. **SAWPA Grants**
      - New Well
        a. Mark reported that the pump has been ordered and he is working on preparing the bid package for the drilling. He also confirmed that Reimbursement Request #3, totaling $279,000.00, has been submitted.

      - PFAS Treatment
        a. Mark stated we are still working on the grant.

iii. **New Apartments on Cottonwood**

- Mark presented the Capital Projects statements for Cottonwood Phase I and Phase II. Phase I showed a deficit of $176,000.00, largely due to the issues encountered at the intersection and with the City. Phase II showed a positive balance of $190,000.00. Combined, the two phases put the project approximately $14,000.00 ahead. Mark noted that this is a positive outcome, as the capital improvements are being completed at the developer's expense without costing the company anything. He added that if the company can also generate a profit from these projects, that is even better.

Mark reported that he has started work on new solar projects. The plan is to install approximately 40 solar panels at the Tank Farm to offset electrical costs associated with operating the booster pumps. An additional 12 panels will be installed at the office property, with the goal of generating enough power to cover 100% of the office's electrical needs. These projects are intended to provide significant relief from the company's current electricity expenses, which average approximately $6,000.00 per month. Since the solar panels will generate power primarily during daylight hours, Mark estimates the projects could save the company approximately $3,000.00 per month.

Misty asked about the cost of the solar panels. Mark explained that the panels cost approximately $200.00 each, totaling about $8,000.00 for the planned installation. He has also ordered the inverters at a cost of $4,000.00. The company will purchase steel to construct the mounting frames. Mark estimates the total project cost will be approximately $30,000.00 or less.

VI. **CLOSED SESSION –** No closed session

VII. **ADJOURNMENT –** at 4:55 pm

Next Meeting: November 17th, 2026 at 4:30pm

Box Springs Mutual Water Company
Statement of Activity
October 2026

	Total
Revenue	
700 Water Revenue	
703 Service Charge	20,637.45
704 Water Charge	54,576.19
715 Add Unit Revenue	4,049.21
725 Other Revenue	
720 Late Fees, Penalties	1,397.96
726 Misc. Fees	1,056.24
Total for 725 Other Revenue	**$2,454.20**
Total for 700 Water Revenue	**$81,717.05**
735 Shareholder Assessments	19,843.83
Total Revenue	**$101,560.88**
Gross Profit	**$101,560.88**
Expenditures	
749 Property Tax	44.54
820 Parts, Supplies, Tools	1,392.81
840 USAS	8.55
850 WMWD	19,754.77
860 Pumping-Electricity	5,702.17
870 Laboratory Fees	2,142.00
881 Outside Services -COGS	100.00
906 Auto, Truck Expenses	
907 Fuel	288.13
Total for 906 Auto, Truck Expenses	**$288.13**
908 Bank Service Charges	24.87
912 Dues, Subscriptions	10.00
915 Computer Fees & Services	3,322.31
934 Insurance	
936 Workers Comp	-2,595.30
937 Vision	21.03
939 Health	2,122.30
940 Dental	103.00
Total for 934 Insurance	**-$348.97**
943 Meals & Entertainment	92.81
944 Office Expense	4,164.66
945 Payroll Expenses	
810 Operator Salaries	31,216.83
904 Administrative Salaries	29,341.09
930 Employee Benefits	183.33
946 Payroll Processing Fees	326.56
948 Payroll Taxes	4,586.82
Total for 945 Payroll Expenses	**$65,654.63**

Box Springs Mutual Water Company
Statement of Activity
October 2026

	Total
950 Postage, Delivery	568.50
952 Telephone	4,249.96
958 Utilities	639.33
959 Professional Fees	
902 Accounting	325.00
Total for 959 Professional Fees	**$325.00**
Total Expenditures	**$108,136.07**
Net Operating Revenue	**-$6,575.19**
Other Revenue	
990 Interest Revenue	107.64
991 Cashback Rewards	21.55
Total Other Revenue	**$129.19**
Other Expenditures	
996 State Income Tax	14.40
Capital Improvements	
1000 Cottonwood Phase II	54,031.26
1030 New Well Project	61,996.80
1040 Aggregate Material Separation	36,600.00
1050 Solar (Tank Farm)	5,868.33
1060 Solar (Office)	5,868.33
Total for Capital Improvements	**$164,364.72**
Total Other Expenditures	**$164,379.12**
Net Other Revenue	**-$164,249.93**
Net Income	**-$170,825.12**

2026 Budget

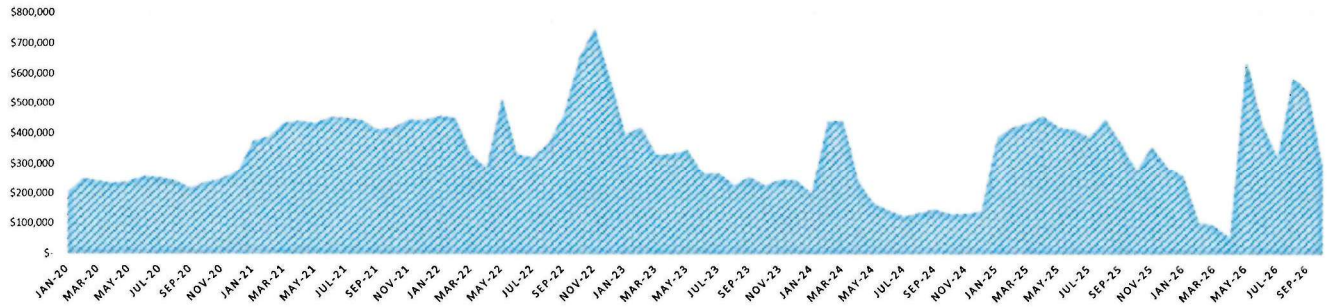
INCOME	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	2026 YTD	2025 YTD	2026 Budget
Operating Income													
700 Water Revenue								$ 300			$ 300	$ -	$ -
702 Non-Member Water		$ 300									$ 300	$ -	$ -
703 Service Charge	$ 20,106	$ 21,419	$ 20,995	$ 20,364	$ 20,334	$ 21,445	$ 20,138	$ 21,396	$ 20,863	$ 20,637	$ 207,696	$ 196,626	$ 253,793
704 Water Charge	$ 39,279	$ 38,984	$ 33,776	$ 40,357	$ 45,079	$ 43,293	$ 44,047	$ 56,698	$ 52,597	$ 54,576	$ 448,687	$ 408,581	$ 528,736
710 Add Meter Revenue			$ 13,279								$ 13,279	$ -	$ -
715 Add Unit Revenue	$ 4,114	$ 4,178	$ 3,959	$ 4,269	$ 4,180	$ 3,982	$ 4,014	$ 4,373	$ 4,209	$ 4,049	$ 41,328	$ 37,322	$ 48,751
717 Connection Fees											$ -	$ -	$ 100,000
720 Late Fees, Penalties	$ 1,324	$ 1,386	$ 285	$ 1,402	$ 934	$ 1,275	$ 958	$ 1,406	$ 1,477	$ 1,398	$ 11,846	$ 12,813	$ 15,754
722 BS CC Payment Fee											$ -	$ -	$ -
725 Other Revenue - Other			$ 6,178								$ 6,178	$ -	$ -
726 Member Other Revenue	$ 304	$ 2,379	$ 1,900	$ 720	$ 16	$ 222	$ 2,058	$ 494	$ 450	$ 1,056	$ 10,099	$ 4,657	$ 5,386
727 Non-Member Other Revenue											$ -	$ -	$ -
735 Shareholder Assessment	$ 21,842	$ 22,513	$ 23,151	$ 22,181	$ 21,700	$ 23,205	$ 22,978	$ 23,168	$ 21,279	$ 19,844	$ 221,861	$ 207,049	$ 273,768
736 Assessment - Late Penalty						$ 42	$ 66				$ 108	$ 404	$ 446
990 Interest Revenue			$ 113	$ 105	$ 108	$ 103	$ 107		$ 104	$ 108	$ 748	$ -	$ -
991 Cash Back Rewards			$ 5		11.7	$ 11	$ 57		$ 120	21.55	$ 226	$ -	$ -
Total INCOME	**$ 86,967**	**$ 91,658**	**$ 103,640**	**$ 89,399**	**$ 92,362**	**$ 93,578**	**$ 94,424**	**$ 107,836**	**$ 101,099**	**$ 101,690**	**$ 962,654**	**$ 867,453**	**$ 1,226,635**

EXPENSES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	2026 YTD		2026 Budget
810 Operator Salaries	$ 13,530	$ 10,200	$ 16,382	$ 25,215	$ 14,836	$ 15,558	$ 17,719	$ 17,684	$ 15,468	$ 31,217	$ 177,809	$ 127,974	$ 167,581
820 Parts, Supplies, Tools	$ 1,576	$ 257	$ 1,577	$ 1,527	$ 1,823	$ 4,302	$ (11)	$ 398	$ 1,102	$ 1,393	$ 13,943	$ 19,176	$ 15,287
830 Repairs & Maintenance		$ 2,375	$ 2,500	$ 2,230	$ 801	$ 100		$ 20,799	$ 413		$ 29,217	$ 7,582	$ 7,763
840 USAS	$ 12	$ 13	$ 17	$ 24	$ 13	$ 19	$ 6	$ 20	$ 9	$ 9	$ 142	$ 145	$ 173
850 WMWD	$ 14,994	$ 14,560	$ 14,984	$ 18,119	$ 16,683	$ 16,458	$ 20,966	$ 19,517	$ 20,628	$ 19,755	$ 176,663	$ 166,286	$ 209,775
860 Pumping - Electricity	$ 5,976		$ 12,183	$ 6,403	$ 5,674	$ 5,450	$ 6,265	$ 5,838	$ 6,273	$ 5,702	$ 59,766	$ 71,693	$ 86,518
870 Laboratory Fees	$ 3,920	$ 722	$ 1,908	$ 1,202	$ 1,227	$ 991	$ 2,007	$ 675	$ 1,024	$ 2,142	$ 15,818	$ 13,102	$ 17,158
880 Chlorine				$ 1,158					$ 1,259		$ 2,417	$ 4,244	$ 5,297
881 Outside Services	$ 5,700	$ 7,075	$ 6,035	$ 2,553	$ 1,625	$ 1,588	$ 1,250	$ 1,300	$ 1,640	$ 100	$ 28,866	$ 133,790	$ 132,392
902 Accounting		$ 2,360	$ 325	$ 325	$ 2,000	$ 1,800	$ 6,425	$ 325	$ 325	$ 325	$ 14,710	$ 17,952	$ 18,602
904 Administrative Salaries	$ 10,113	$ 13,529	$ 12,300	$ 16,959	$ 12,849	$ 13,214	$ 12,503	$ 12,669	$ 12,791	$ 29,341	$ 146,269	$ 101,181	$ 152,474
906 Auto, Truck Expenses		$ 590	$ 82	$ 380	$ 308	$ 3,351	$ 458	$ 62			$ 5,231	$ 2,995	$ 1,947
907 Fuel	$ 931	$ 441	$ 399	$ 688	$ 1,161	$ 664	$ 1,590	$ 1,195	$ 728	$ 288	$ 8,085	$ 4,894	$ 6,873
908 Bank Service Charges	$ 459	$ 383	$ 4		$ 167	$ 24	$ 14	$ 96	$ 104	$ 25	$ 1,276	$ 4,360	$ 5,261
909 Cashier Over/Short											$ -	$ -	$ -
910 Depreciation Expense											$ -	$ -	$ -
912 Dues and Subscriptions	$ 610	$ 385	$ 549	$ 10	$ 10	$ 10	$ 10	$ 10	$ 123	$ 10	$ 1,727	$ 4,931	$ 7,347
913 Vechicle Maint and Repairs		$ 125	$ 2,603	$ 54	$ 96	$ 56	$ 419		$ 60		$ 3,413	$ 807	$ 1,809
914 Square Merch Fee			$ 8								$ 8	$ 39	$ -
915 Computer Fees and Services	$ 2,776	$ 3,453	$ 2,992	$ 3,280	$ 3,035	$ 3,169	$ 3,904	$ 3,670	$ 4,456	$ 3,322	$ 34,058	$ 33,370	$ 31,829
916 Current Software						$ 20,428						$ -	
925 Engineering		$ 2,000									$ 2,000	$ -	$ -
926 Education and Training									$ 1,995		$ 1,995	$ -	
930 Employee Benefits					$ (59)				$ 1,710	$ 183	$ 1,835	$ -	$ -
932 Equipment Rental				$ 294	$ 268			$ 268			$ 830	$ 6,894	$ 7,041
935 Insurance Auto	$ 11,095					$ 5,512	($3,669.12)				$ 12,937	$ 13,920	$ 14,477
936 Workers Comp	$ 1,508	$ 646	$ 1,710	$ 2,441	$ 960		$ 1,650	$ 9,948	$ 2,327	$ (2,595)	$ 18,594	$ 10,487	$ 15,964
937 Vision		$ 21	$ 21	$ 42		$ 42		$ 21	$ 21	$ 21	$ 189	$ 174	$ 256
938 Liability						$ 20,875					$ 20,875	$ -	$ -
939 Health	$ 1,990	$ 1,990	$ 1,990	$ 1,990	$ 2,122	$ 2,122	$ 2,122	$ 2,122	$ 2,122	$ 2,122	$ 20,695	$ 16,131	$ 21,891
940 Dental		$ 79	$ 206		$ 103	$ 206		$ 103	$ 103	$ 103	$ 903	$ 107	$ 116
941 D&O, EPI	$ 2,431	$ 2,468	$ 2,468	$ 2,468	$ 3,611		$ (23)				$ 13,422	$ 36,093	$ 43,496
942 Licenses, Permits, Fees						$ 6,239			$ 185		$ 6,424	$ 1,297	$ 1,365
943 Meals & Entertainment			$ 104					$ 88	$ 43	$ 93	$ 328	$ 502	$ 1,013
944 Office Expense	$ 1,131	$ 1,423	$ 1,079	$ 866	$ 1,299	$ 8,084	$ 1,585	$ 2,594	$ 3,335	$ 4,165	$ 25,559	$ 12,017	$ 14,960
945 Payroll Expense					$ 242	$ 128						$ -	
946 Payroll Processing Fee	$ 1,749	$ 1,559	$ 1,577	$ 2,481	$ 114	$ 1,000	$ (116)	$ 29	$ 317	$ 327	$ 9,037	$ 15,486	$ 18,551
947 Outside Services - General	$ 1,600						$ 600				$ 2,200	$ 11,482	$ 10,000
948 Payroll Taxes	$ 3,921	$ 2,687	$ 2,554	$ 3,445	$ 2,175	$ 2,478	$ 1,910	$ 2,634	$ 2,191	$ 4,587	$ 28,582	$ 20,890	$ 26,678
950 Postage, Delivery	$ 1,195		$ 502	$ 1,016	$ 549	$ 596	$ 1,615	$ 921		$ 569	$ 6,962	$ 5,181	$ 6,185
952 Telephone	$ 211	$ 444	$ 349	$ 562	$ 287	$ 287	$ 287	$ 295	$ 175	$ 4,250	$ 7,148	$ 3,331	$ 3,936
956 Uniforms					$ 175	$ 96	$ 157	$ 1,021			$ 1,448	$ 814	$ 814
958 Utilities	$ 262	$ 86	$ 388	$ 194	$ 332	$ 274	$ 815	$ 976	$ 746	$ 639	$ 4,711	$ 3,240	$ 3,660
959 Professional Fees						$ 750	$ 3,750	$ 7,500			$ 12,000	$ 2,723	$ -
961 Legal Services		$ 597			$ 13,954	$ 199		$ 199	$ 199		$ 15,148	$ 40,668	$ 41,265
962 Attorney Settlment											$ -	$ -	$ -
996 State Income Tax								$ 53		$ 14	$ 67	$ 9,371	$ -
749 Property Tax										$ 45	$ 45	$ 45	$ -
Total EXPENSES	**$ 87,689**	**$ 70,969**	**$ 87,797**	**$ 95,926**	**$ 88,440**	**$ 136,072**	**$ 84,207**	**$ 113,028**	**$ 81,872**	**$ 108,150**	**$ 933,309**	**$ 925,329**	**$ 1,099,752**

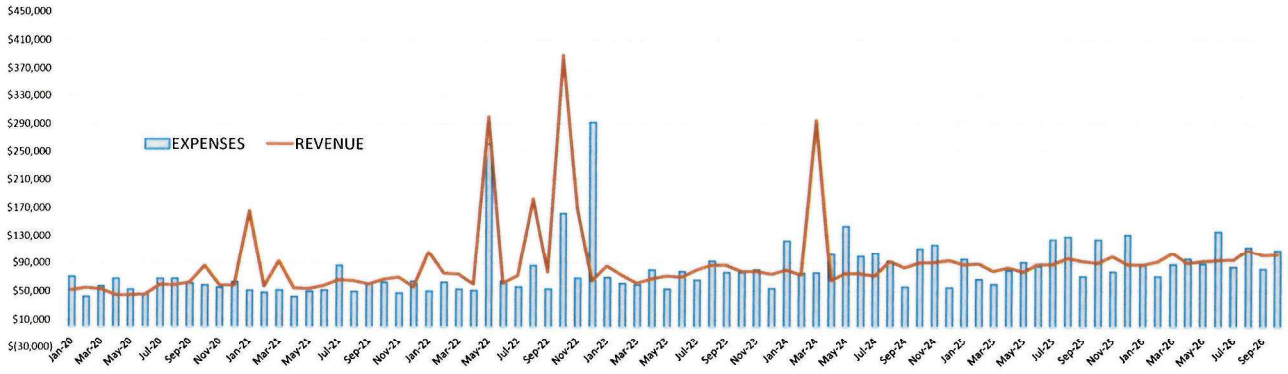
Net Income	$ (722)	$ 20,689	$ 15,843	$ (6,527)	$ 3,922	$ (42,494)	$ 10,217	$ (5,192)	$ 19,227	$ (6,460)	$ 29,346	$ (57,876)	$ 126,882
Cash Reserves (In Bank)	**$ 258,028**	**$ 102,738**	**$ 93,074**	**$ 53,401**	**$ 642,604**	**$ 432,107**	**$ 319,860**	**$ 588,372**	**$ 540,571**	**$ 288,207**		**$ 370,405**	

hibit 2

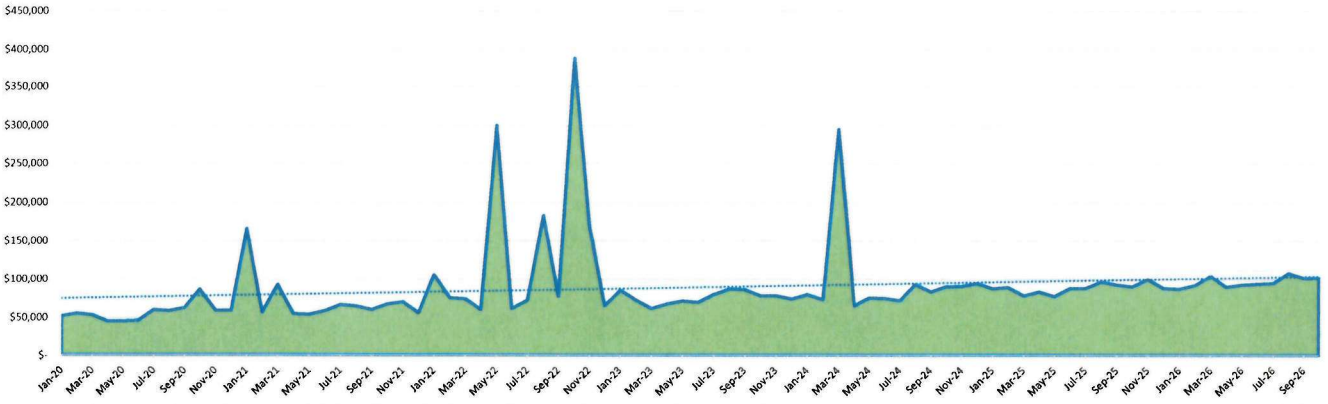
TOTAL BANK BALANCE



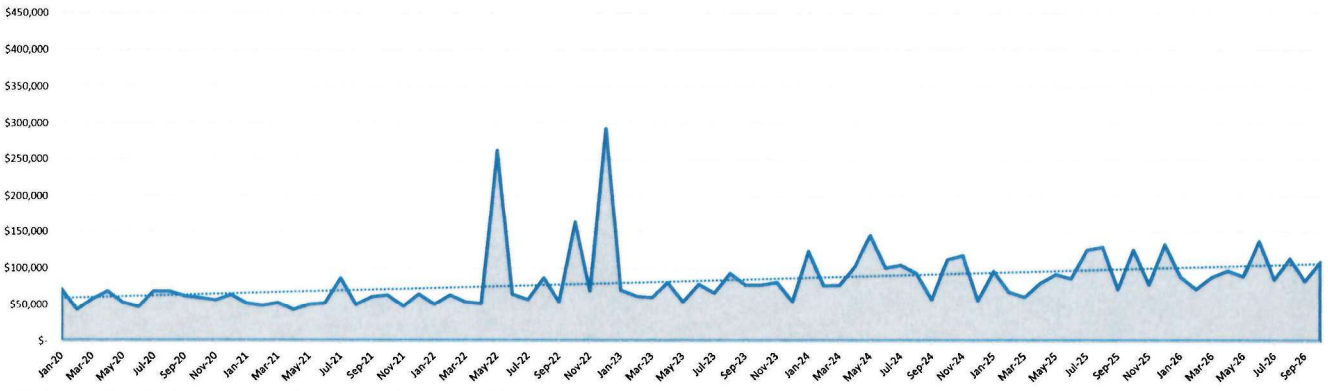
Revenue and Expense



Revenue



Expense



2026

Meter Reads and Payment Data

Prior Read	End Read	# Days in Cycle	Water Accts	Total Accts	Started Reads	Closing Totals	$ Received	Difference	QB Rcv'd	Postage	Pieces Sent	Bills Sent	E-Bills Sent	Total Penalties Applied	Accts Past Due 30-60 Days	Accts Past Due >60 Days	Asmnt Past Due
12/31	1/29	29	642		1/28	$ 89,156.30	$ 100,352.93	$ (4,698.59)	$ 95,654.34	$ 498.15	641	1/30	40	$ 1,323.69	$ 4,153.85	$ 344.83	$ 71,261.34
1/30	2/28	30	645	833	2/24	$ 87,317.18	$ 90,262.30	$ 5,118.01	$ 95,380.31	$ 454.43	602	2/27	31	$ 1,410.00	$ 6,689.71	$ -	$ 71,197.46
3/1	3/26	26	646	752	3/25	$ 98,260.32	$ 112,656.91	$ (3,990.57)	$ 108,666.34	$ 453.59	611	3/27	31	$ 1,395.00	$ 7,576.73	$ 317.70	$ 76,454.26
3/27	4/28	33	646	752	4/27	$ 107,532.72	$ 108,264.85	$ (2,898.11)	$ 105,366.74	$ 453.59	611	4/30	38	$ 990.00	$ 4,764.41	$ 357.95	$ 77,223.72
4/29	5/28	30	642	834	5/26	$ 119,159.73	$ 105,653.37	$ (5,702.49)	$ 99,950.88	$ 451.52	602	5/29	357	$ 1,260.00	$ 5,918.78	$ 2,615.70	$ 77,988.08
5/29	6/27	30	643	830	6/24	$ 104,004.17	$ 101,543.84	$ 465.48	$ 102,009.32	$ 447.08	596	6/26	357	$ 975.00	$ 4,489.19	$ 1,758.14	$ 79,708.53
6/28	7/29	32	641	831	7/27	$ 115,340.14	$ 102,799.81	$ (790.49)	$ 102,009.32	$ 474.91	601	7/29	375	$ 1,376.32	$ 7,925.50	$ 2,872.24	$ 80,669.17
7/30	8/27	29	642	831	8/27	$ 110,814.67	$ 112,613.33	$ 2,214.85	$ 114,828.18	$ 472.35	594	8/28	376	$ 1,335.00	$ 6,761.52	$ 3,307.20	$ 79,247.37
8/28	9/30	34	640	833	9/28	$ 113,071.56	$ 108,016.91	$ 1,189.22	$ 109,206.13	$ 436.11	839	9/30	447	$ 1,155.00	$ 549.55	$ 2,008.07	$ 82,217.61

Monthly Billing and Collections Report

September 2026. Account counts reflect the day the report is opened.

Report month: September 2026

Accounts and billing

Total accounts (active)

833

Water accounts (active)

640

Closing total (current charges billed)

$113,071.56

832 bills

Collections

Total received (payment batches)

$108,016.91

42 batches

Penalties applied

$1,155.00

47 fees

Bills sent

Bills mailed

839

Paper, plus paper and electronic

Bills emailed

447

Electronic, plus paper and electronic

Bills by customer delivery preference

Delivery method	Bills
Electronic	199
Paper	591
Paper and Electronic	248

Past due

Water past due 30–60 days

$549.55

Water bills due the month before the report month

Water past due over 60 days

$2,008.07

24 bills

Assessment accounts past due

$82,217.61

182 bills

BoxSprings

MUTUAL WATER

"Providing Reliable Water Service Since 1920"

Employee Handbook

Revised and Adopted October 20, 2026

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The Box Springs Mutual Water Company Employee Handbook

October 2026

Introduction

The mission of Box Springs Mutual Water Company (BSMWC) is to provide high-quality drinking water to its customers within its designated service area in the City of Moreno Valley, California. BSMWC is privately owned by its shareholders and governed by its Board of Directors. BSMWC's General Manager is responsible for the day-to-day management of BSMWC and its employees.

All Company employees are employed at will as specified in Section 1.1 of this Handbook.

This Handbook contains the personnel policies adopted by the Box Springs Mutual Water Company that govern the employment of all Company employees. Employees are required to follow all Company policies. Violation of any Company policy will subject an employee to discipline, up to and including immediate termination of employment.

Company management reserves the right to modify, revise, add to, or rescind any of these policies, except for the concept of at will employment, in its sole discretion. BSMWC will inform employees of substantive changes to the Handbook.

Should you have any questions about this Handbook, the policies, or their application, please contact the Office Manager or General Manager.

Employment Section - 1.0

1.1 At Will Employer

All Company employees are employed at will. Simply stated, at will means that either the employee or the employer may end the employment relationship at any time, for any reason or no reason, with or without cause, and with or without advance notice.

The at will relationship is not modified by anything in the Handbook or by the policies or guidelines it contains. The employment relationship can only be modified by a written document signed by the employer.

1.2 Equal Opportunity Employer

Box Springs Mutual Water Company is an Equal Employment Opportunity employer.

BSMWC affords equal opportunity in all aspects of employment to all employees and applicants for employment without regard to race, religion (including religious dress or grooming), creed, sex (including pregnancy, childbirth, breastfeeding, or related medical conditions), reproductive health decision-making, gender, national origin, ethnicity, ancestry, citizenship, age, physical or mental disabilities, color, marital status, registered domestic partner status, sexual orientation, gender identity or expression, genetic information, medical condition, military or veteran status, or any other basis protected by applicable law. This policy applies to all employees and applicants for employment, and extends to all phases of employment, including but not limited to recruitment, hiring, training, promotion, discharge or layoff, rehiring, compensation, and any benefits.

1.3 Employment Types

Employment positions within BSMWC are classified as either:

Full-Time, Part-Time, or Temporary. All employees, regardless of classification, are employed at will. In addition, all employees are subject to an initial probationary period of six months and may be eligible for consideration of pay increases based on the current policy.

These classifications are described as follows:

Full-Time - A Full-Time Employee is one who has been hired to fill a full-time position and has successfully completed the probationary period. Full-time positions require the employee to work at least 40 hours per week. Employees in this category are generally eligible for all benefits.

Part-Time - A Part-Time position is one that is generally scheduled to work fewer than 30 hours a week. The number of hours a part-time employee works may vary from week to week. Part-time employees are generally not eligible for any benefits, except as required by law.

Temporary - Employees hired on a temporary basis generally perform assignments that are seasonal or project-oriented. A Temporary Employee may work up to 40 hours in any week, although a full 40-hour week is not guaranteed. Temporary Employees are generally not eligible for any benefits except as required by law.

Probation – each newly-hired employee serves a probationary period of six months, commencing on their date of hire. During this period, BSMWC and the new employee have an initial opportunity to determine whether continuing employment is appropriate. Probationary employees are generally not eligible for benefits, except as required by law or stated in company policy. The probationary period may be extended at the sole discretion of the General Manager. An employee

who successfully completes probation will be notified by BSMWC in writing that they have now attained regular status with all benefits active. Note - their at-will employment status does not change.

1.4 Terminations (Non-Disciplinary)

Retirement, resignation, layoff, and discretionary termination without cause are considered non-disciplinary terminations, and do not constitute disciplinary action. Retirement and resignation are choices of the employee. Layoff and discretionary termination without cause are the choice of BSMWC management.

Retirement - Management would appreciate at least a 6-month advance notice of any employee considering retirement.

Resignation - Employees can submit a letter of resignation to BSMWC management to terminate employment. It is customary to give two weeks' advance notice prior to resignation.

Layoff - In the event a reduction in work force becomes necessary, BSMWC management will decide, at their discretion, which employees are to be laid off.

Discretionary Termination Without Cause - The employment relationship is at will. Either the employee or BSMWC may decide to terminate the relationship at any time, either with or without cause.

1.5 Terminations (Disciplinary)

BSMWC management also has the right to terminate any Company employee for disciplinary reasons.

Some examples of misconduct that may subject the employee to discipline, up to and including termination, include misconduct or negligence, theft or dishonesty, drug or alcohol abuse, harassment or workplace bullying or violence, unsatisfactory performance or attendance, violation of any policy, or insubordination. Disciplinary termination is a serious matter. Supervisory personnel may recommend termination, but only BSMWC's General Manager has the final authority to terminate an employee.

1.6 Employment of Relatives

BSMWC does not necessarily preclude the hiring or employment of qualified employees who are related by blood or marriage or who become related during employment. BSMWC does exercise its right to control the employment of relatives to avoid issues of safety, supervision, morale, or security. For example, BSMWC will not permit one relative to directly supervise another or allow one relative to have input into hiring or evaluating another relative.

An applicant for employment who is a relative of a BSMWC employee does not receive special consideration or prejudice that could give either unfair advantage or disadvantage over other candidates being considered. Qualifications, not relationships, are the basis for evaluating potential employees.

Employment of a relative must not result in an actual or potential conflict of interest, or negatively affect the safety, supervision, morale, or security of BSMWC or its employees.

Employee Conduct - 2.0

2.1 Code of Conduct

To ensure orderly and efficient operations, and for the safety and well-being of BSMWC, its employees, and the public, rules and standards of conduct must be followed. Employees who fail to comply with these rules, or any policy, will be subject to disciplinary action.

2.2 Discipline

Employees who fail to comply with BSMWC rules or policies will be subject to disciplinary action. Normally a progressive disciplinary procedure is followed, meaning that increasingly more serious discipline may be imposed for more serious or repeated offenses. However, BSMWC is not required to follow progressive discipline.

Moreover, in certain circumstances, and depending on the severity of the offense and other appropriate factors, immediate termination may result. Disciplinary policies do not modify the at will employment relationship.

Disciplinary actions include but are not limited to oral or written reprimands, suspensions, administrative leave, and termination. Management considers a variety of factors in determining the appropriate level of discipline, including: the impact of the offense on BSMWC, the extent of damage or harm caused, prior disciplinary actions, employment history, etc.

2.3 Drug and Alcohol Use

While at work or in a work-related situation, employees are not permitted to possess, use, sell, distribute, transfer, or purchase drugs or controlled substances, including alcohol. The sole exception to the above is that employees may use over the counter or prescription medications, as authorized and in accordance with medical instructions, provided such use does render the employee under the influence, or otherwise impair safe and efficient operations. An employee who is prescribed, or is taking, medication that may interfere with safe and efficient operations must inform the Office or General Manager of that fact prior to beginning work.

Employees are not permitted to report to work, or to work, if they are under the influence of, or impaired by, any substance, including drugs or alcohol.

2.4 Policy Prohibiting Harassment and Discrimination

Harassment and discrimination in employment on the basis of sex (including pregnancy, childbirth, breastfeeding, or related medical condition), reproductive health decision-making, gender, race, color, national origin, ancestry, citizenship, religion, creed, age, physical or mental disability, medical condition, sexual orientation, gender identity or gender expression, military or veteran status, marital status, registered domestic partner status, genetic information, or any other protected basis (collectively the Protected Characteristics) is unlawful under federal and state law. Every individual is entitled to work free of discrimination or harassment based on any Protected Characteristic. The law prohibits all employees (including coworkers, supervisors, and managers), as well as third parties with whom the employee comes into contact, from engaging in this impermissible conduct. Accordingly, BSMWC does not tolerate discrimination or harassment in the workplace or in a work-related situation. Unlawful discrimination and harassment violates BSMWC's rules of conduct.

Unlawful harassment in employment may take many different forms. Some examples are:

- Verbal conduct such as epithets, derogatory comments, slurs, or unwanted comments and jokes;

- Visual conduct such as derogatory posters, cartoons, drawings, or gestures;

- Physical conduct such as blocking normal movement, restraining, touching, or otherwise physically interfering with work of another individual;

- Threatening or demanding that an individual submit to certain conduct or to perform certain actions to keep or get a job, to avoid some other loss, or as a condition of job benefits, security, or promotion; and

- Retaliation by any of the above means for having reported harassment or discrimination or having assisted another employee to report harassment or discrimination.

- Sexual harassment under these laws includes unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when:

    - submission to such conduct is made either explicitly or implicitly as a term or condition of an individual's employment;

    - submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or

    - such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

2.5 Internal Complaint Procedure

Discrimination and harassment in employment are not tolerated. In addition, BSMWC prohibits retaliation for having made a report, and/or otherwise participating in the reporting or investigative process under this policy. Violation of this policy will result in disciplinary action up to, and including, immediate discharge.

Any individual who believes they are the object of harassment or discrimination on any prohibited basis, or who has observed such harassment or discrimination, or who believes they have been subjected to retaliation, should notify the Office or General Manager. BSMWC will conduct a fair, timely, and thorough investigation, and will do so in a confidential manner, to the extent possible. The investigation will be carried out by impartial and qualified personnel and will be appropriately documented. Following the investigation, BSMWC will take such action as is warranted under the circumstances and will close the matter as timely as possible.

2.6 Agency Complaint Procedure

Both the State and Federal Governments have agencies whose purpose is to address unlawful discrimination in the workplace. If an individual who provides services to BSMWC believes they have been harmed by unlawful practice and are not satisfied with BSMWC's response to the problem, they may file a written complaint with these agencies. For the State of California, the appropriate agency is the Civil Rights Department (CRD). The local address for the CRD is 1325 Spruce Street, Suite 320, Riverside, CA 92507 or (800) 884-1684 or www.calcivilrights.ca.gov. For the federal government, the agency is the Equal Employment Opportunity Commission (EEOC). The local address for the EEOC is 255 E. Temple Street, 4th Floor, Los Angeles, CA 90012 or (800) 669-4000 or www.eeoc.gov.

If, after an investigation and hearing, either of these agencies finds that unlawful discrimination has occurred, the injured employee may, depending on the circumstances, be entitled to reinstatement or promotion, with or without back pay.

2.7 Retaliation

Retaliation against any individual for making a report, or for participating in an investigation, under this policy is strictly prohibited. Individuals are protected by law and by BSMWC policy from retaliation for opposing unlawful discriminatory practices, for filing an internal complaint under this policy or for filing a complaint with the CRD or EEOC, or for otherwise participating in any proceedings conducted by BSMWC under this policy and/or by either of these agencies.

2.8 Safety

The primary goal of BSMWC's Injury & Illness Prevention Program (IIPP) is to minimize employee illness or injury in the workplace.

Work related injuries and illnesses create problems for the employee, clients, and BSMWC and can be avoided or minimized through the establishment of, and adherence to, good work safety practices. It is essential that all employees perform their day-to-day work functions in a safe manner. This is true regardless of the work area but is especially important when performing a service on the property of a customer (shareholder). It is the responsibility of all employees to help maintain a safe workplace. On-going safety training will take place annually as required.

Work-related injuries must be reported immediately to BSMWC management.

2.9 Preserving Confidential Information

As employees of a mutual water company providing an essential service, Company employees are precluded from engaging in activities that might compromise BSMWC, its assets or its customers. To this end, BSMWC prohibits its employees from disseminating or disclosing confidential, non-public information about BSMWC, its customers, proposals, bids, or any other data considered confidential by BSMWC without the express consent of the General Manager.

All work-related documents, information, programs, proposals, bids, etc., generated by BSMWC employees are the sole property of BSMWC and may not be disseminated without the approval of BSMWC management.

2.10 Employee References

When outside entities, including prospective employees, make an inquiry about a current or former employee, those requests should be forwarded to the Office Manager. In response to such inquiries, BSMWC provides only the employee's job title and dates of employment.

2.11 Searches and Monitoring

BSMWC has the right to access and search all BSMWC owned equipment (including desks, file cabinets, computers, and computer storage devices, e-mail, and voicemail systems) and all items brought onto BSMWC property (including parking lots).

Company-maintained systems, such as its e-mail and voicemail systems, are provided to facilitate BSMWC's business. BSMWC reserves the right to monitor and access any documents or information created, maintained, sent, or received on its systems. Accordingly, employees should not have any expectation of privacy in any documents or information on BSMWC systems, regardless of any password protection.

Although BSMWC systems may be available for occasional and minimal personal use by employees (on break, lunch, or times as otherwise agreed upon by management), messages sent or received on these systems are considered the property of BSMWC.

2.12 Employee/Customer (Shareholder) Conduct

BSMWC requires all employees to conduct themselves in a professional manner. Towards this end, employees are required to treat all customers in a courteous and respectful manner.

If an employee believes they are being treated in an inappropriate manner by any customer (shareholder), the employee must report the issue to the Office and/or General Manager in a timely manner.

2.13 Work Schedules

Field Employees: The normal work schedule is 6:00 am to 4:30 pm, Monday - Thursday. This is known as a 4/10 work schedule.

Additionally, Field Employees are subject to rotating on-call coverage for purposes of maintaining a safely operating water system. On-call coverage is subject to change depending on the number of employees currently employed, however, one employee must be available to work each day of the week and be available for after-hours callouts for emergencies. Further detail can be found in Section 2.15 of this Handbook.

Part-Time Employees: There is no normal schedule for part-time employees as each position's needs will determine the number of hours required to complete the work.

2.14 Work Breaks

Employees are entitled to a ten (10) minute paid break in about the middle of each 4-hour period they work. One break is generally scheduled in the mid-morning and the second break in the mid-

afternoon. Additionally, each employee must take a half-hour, non-paid lunch period. Lunch periods must be commenced during the fifth hour of work.

2.15 On-Call Coverage

Field Employees will participate in a rotation of duty to cover the needs of BSMWC each week. On-Call employees are responsible for answering all after-hours calls to determine if said call is truly an emergency that requires the employee to physically respond to the situation. Employees will be on duty for a full week, i.e., 7 days for each occurrence. If an emergency requires an actual response, the on-call employee will receive a minimum of 2 hours pay. If the response takes longer than 2 hours, the employee will be paid for the number of hours worked.

Employees will receive 2 hours of pay per day while being on-call in addition to actual hours worked.

2.16 Lactation Accommodation

Employees desiring to express breast milk for the employee's infant child while at work have the right to request lactation accommodation. Employees may request this accommodation by communicating with the Office Manager. BSMWC will meet with the employee about the accommodation, will document the accommodation plan in writing, and will provide a written response to the employee's request. If possible, the lactation break time will run concurrently with any paid break time already provided to the employee. Any lactation break times that run beyond, or are in addition to, the normal authorized paid rest breaks are unpaid.

For any perceived violation of this policy, the employee has the right to file a complaint with the California Labor Commissioner.

Benefits - 3.0

3.1 Eligibility for Benefits

BSMWC offers employment benefits to eligible employees including medical, dental and vision insurance, paid holidays, a voluntary deferred compensation plan, paid sick time and paid vacations.

3.2 Vacations

Eligible employees accrue paid vacation time beginning on their date of hire. Full-time employees earn two weeks (or 80 hours) of vacation annually. After completing ten (10) years of employment, a full-time employee earns three weeks (or 120 hours) of vacation annually.

Part-time employees may be eligible to accrue paid vacation on a pro rata basis.

Temporary employees are not eligible to accrue paid vacation.

All eligible employees may accrue unused vacation time up to a maximum of three weeks (120 hours) annually. Each employee who has exceeded the annual accrual of 120 hours will be paid out the overage during the first week of December at the employee's current hourly rate.

Upon separation from BSMWC for any reason, any accrued but unused vacation is cashed out at the employee's pay rate at the time of separation.

The scheduling of vacation time is subject to the approval of the Office and General Manager. Employees requesting to use their accrued vacation time should provide as much advance notice as possible, generally with a minimum of two weeks' notice. Short notice time off requests should be kept to a minimum. Employees must request vacation via text or email to the Office and General Manager. Once approved, the time off must be entered in the payroll system. Employees will not be granted vacation time in excess of the amount they have accrued. Should a BSMWC paid holiday fall during an employee's approved vacation period, the employee will receive the holiday pay and will not have that paid holiday deducted from their vacation balance.

3.3 Holidays

The following are holidays recognized by BSMWC and will be provided in the annual Payroll Calendar:

- ½ Day New Year's Eve (see annual Payroll Calendar for actual date)
- New Year's Day (January 1st)
- President's Day (3rd Monday in February)
- Memorial Day (4th Monday in May)
- Independence Day (July 4th or the proceeding or following workday)
- Labor Day (1st Monday in September)
- Veterans Day (November 11th or proceeding or following workday)
- Thanksgiving Day and the day after Thanksgiving (4th Thursday and Friday of November)
- ½ Day Christmas Eve (see annual Payroll Calendar for actual date)
- Christmas Day (December 25th or the proceeding or following workday)
- Two Floating Holidays* (to be used on the day of the employee's choice)

*Two Floating Holidays will be added to each employee's total holiday hours each January and must be used within the calendar year they are given. Unused Floating Holiday's cannot be cashed out or rolled over to the following calendar year.

Part Time employees may be eligible for paid holidays on a pro rata basis. Temporary employees are not eligible for paid holidays but will receive the unpaid time off for the holiday.

3.4 Paid Sick Time

All Company employees accrue paid sick time. Full-time employees accrue paid sick time a rate of four hours per calendar month starting from the date of hire.

Paid sick time may be accrued up to a maximum of 400 hours. Excess hours will be paid out annually at ½ the employee's current hourly rate during the first week of December.

Paid sick time may be requested for an absence caused by illness or injury of an employee or an absence caused by illness or injury of a member of the employee's immediate family (i.e., a child, parent, spouse, domestic partner, grandparent, grandchild, or sibling, or a designated person), or

for doctor's appointments for the employee or immediate family, or for any other reason permitted by law. For purposes of this policy, a designated person is one designated by the employee at the time they request to use paid sick time. Employees may designate one person per 12-month period for sick days.

The employee may be required to furnish a health care provider's certificate to support the need for sick time if the absence exceeds three (3) working days. Sick leave is not to be used for vacation or personal time off.

Should an employee be terminated for voluntary or involuntary reasons, ½ the accrued sick time will be paid.

3.5 Voluntary Deferred Compensation (Retirement) Plan

Employees may elect to participate in a voluntary deferred compensation plan (401K). Under this plan, an employee may contribute a portion of their wages to the deferred compensation plan. A third-party administrator, under the Internal Revenue Service guidelines, administers this program in accordance with the plan.

3.6 Educational Assistance Program

BSMWC offers an educational assistance program to employees whose jobs require on-going education and certifications as a part of their employment. Under this program, an employee may request reimbursements for tuition and books for successfully completing a course of instruction that is approved in advance by BSMWC.

Requests should be made to the Office and General Manager via email in advance of the course.

3.7 Uniforms and Boot Allowance

BSMWC provides employees with shirts, hats, safety vests, and all PPE (personal protective equipment) necessary for the safety of its employees.

Each employee will be provided with up to $150.00 for work pants and $250.00 for steel-toed work boots annually. The employee is responsible for the purchase of these items, and all receipts must be submitted to the Office Manager for reimbursement or proof of purchase if the company credit card is used.

Leaves of Absence - 4.0

4.1 Unpaid Leave of Absence

Company management will consider granting an employee's request for an unpaid leave of absence in accordance with the circumstances underlying the request and with applicable law. Insurance continuation, if any, will be addressed with the requesting employee at the time of the request.

4.2 Bereavement Leave

Employees may request to take up to five paid days of bereavement leave in the event of the death of a member of the employee's immediate family. For purposes of this policy, immediate family means: spouse, domestic partner, child, parent or parent-in-law, grandchild, grandparent, or sibling.

If necessary, an employee may request to take additional time for bereavement either as unpaid time off, or by using their accrued vacation time. This leave must be completed, if at all, within three months of the family member's death. The time does not need to be taken as consecutive days off.

4.3 Reproductive Loss Leave

Employees may take up to five days of unpaid leave for a reproductive loss. Reproductive loss is defined as: a failed adoption, a failed surrogacy; a miscarriage; a stillbirth, or an unsuccessful assisted reproduction.

Employees may request to use accrued vacation or accrued sick time during this otherwise unpaid leave.

This leave must generally be completed within three months of the reproductive loss, but the time off does not have to be on consecutive days.

4.4 Jury Duty

BSMWC encourages employees to fulfill their civic responsibility by serving jury duty when called. Employees are expected to provide as much advance notice as possible to the Office Manager when they are called to serve on a jury. BSMWC will provide unpaid leave for this purpose.

Employees who are released from jury duty during their normal work hours are expected to return to the office or normal jobsite.

4.5 Family and Medical Care Leave

The California Family Rights Act (CFRA) provides eligible employees with the opportunity to take unpaid, job-protected leave for certain specified reasons. The maximum amount of leave employees may use under this policy is twelve weeks within a twelve-month period, except as otherwise required by law.

To be eligible for CFRA leave under this policy, employees must:

1. Have worked at least twelve months for BSMWC in the preceding year; and

2. Have worked at least 1,250 hours for BSMWC over the twelve months preceding the date the leave would commence.

CFRA leave may be taken for any of the following reasons:

1. To care for or bond with a newborn child, with a newly-adopted child, or with a newly-placed foster child.

2. To care for an immediate family member (i.e., employee's spouse, registered domestic partner, child, parent, grandparent, grandchild, sibling, or registered domestic partner's child or parent, or designated person) with a serious health condition. For purposes of this policy, a designated person is any individual related by blood or whose association

with the employee is the equivalent of a family relationship. Employees are limited to one designated person per 12-month period.

3. Because of the employee's serious health condition that makes the employee unable to perform their job functions.

4. A qualifying exigency arising out of the fact that the employee's immediate family member is on, or has been notified of an impending call to, covered active duty.

Once BSMWC determines an absence is for a CFRA-qualifying reason, it will designate the absence as CFRA.

Generally, a serious health condition is an illness, injury, impairment or physical or mental condition, that involves either in-patient care in a medical care facility or continuing treatment by a health care provider, and either prevents the employee from performing the functions of their job or prevents the qualified family member from participating in school or other daily activities.

BSMWC measures the period of twelve months in which leave is taken by a rolling calendar period. This means that when an employee requests leave for a qualifying reason, BSMWC will look back in the past twelve months to determine whether the employee has any remaining CFRA time.

CFRA leave for the birth of a child, or placement of a child for adoption or foster care, must be concluded within twelve months of the child's birth or placement.

Eligible employees may take CFRA leave in a single block of time, intermittently (in separate blocks of time), or by reducing the normal work schedule when medically necessary for the serious health condition of the employee or immediate family member. Intermittent leave for the birth of a child, to care for a newborn child or for the placement of a child for adoption or foster care generally must be taken in at least two-week increments, with shorter increments allowed on two occasions. Employees who require intermittent or reduced-schedule leave must try to schedule their leave so that it will not unduly disrupt BSMWC's operations.

Employees are required to use applicable accrued paid time off (such as paid sick time or vacation) concurrently with the CFRA leave, to the extent permitted by law.

The only exception to the above is during any period in which the employee is receiving temporary disability benefits (e.g., for workers' compensation or short-term disability), the employer cannot require the employee to use their accrued paid leave to coordinate pay with those disability benefits. However, the employer and employee may agree to do so.

Once the employee's accrued paid leave time is exhausted, the remainder of the CFRA leave is unpaid time off.

BSMWC maintains health care coverage for an employee on CFRA leave on the same terms as if the employee had continued to work. Employees must make arrangements to pay their normal share of health plan premiums while on unpaid leave. Use of CFRA leave does not result in the loss of any employment benefit that accrued prior to the start of leave under this policy.

When seeking leave under this policy, employees must provide the Office or General Manager with the following:

1. Thirty (30) days' advance notice of the need to take CFRA leave if the need for leave is foreseeable or notice as soon as practicable in the case of unforeseeable leave and in compliance with normal call-in procedures, absent unusual circumstances.

2. Medical certification supporting the need for leave due to a serious health condition affecting the requesting employee or an immediate family member.

3. Periodic reports as deemed appropriate during the leave regarding the employee's status and intent to return to work, to the extent permitted by law.

If the employee requesting leave is eligible for CFRA leave, BSMWC will provide them with a notice that designates the leave as CFRA, and that specifies any additional information required, as well as their rights and responsibilities (including a guarantee of reinstatement to the same position or a comparable position). If the employee is not eligible for CFRA leave, BSMWC will provide a reason.

Upon returning from CFRA leave, employees will be restored to their original position or to an equivalent position with equivalent pay, benefits and other employment terms and conditions, to the extent required by law.

The employee returning from CFRA leave for their own serious health condition must present a medical certification of release to return to work. The certification must state any restrictions on the returning employee's ability to work, and the duration of any such restrictions. Should the health care provider's note state any restrictions, BSMWC will engage in the interactive process with the employee to devise a reasonable accommodation, if possible.

For more information regarding leave under this policy, employees should contact the General Manager or Office Manager.

4.6 Pregnancy Disability Leave

All employees, regardless of the length of service, are entitled to take an unpaid Pregnancy Disability Leave (PDL) of up to four months during the period of time that their health care provider determines they are actually disabled by pregnancy or a related medical condition.

Employees requesting foreseeable PDL should ordinarily provide thirty days' notice in advance of the date the leave is to begin, as well as the estimated date the employee will be released to return to work. When requesting PDL, the employee must provide BSMWC with certification from their health care provider verifying the employee's need for PDL, stating the beginning and expected ending dates of the requested leave.

Employees taking PDL are required to use any accrued sick time during the otherwise unpaid PDL, but may elect whether or not they wish to use any accrued vacation time during this leave.

BSMWC will continue to provide health insurance coverage to an employee on PDL under the same terms and conditions as if the employee continued actively working during the period.

Upon completion of PDL, the employee must provide BSMWC with a written notice from the health care provider releasing the employee to return to work. The doctor's note must include any restrictions on the employee's ability to work, and the anticipated duration of any such restrictions. Should the health care provider's note state any restrictions, BSMWC will engage in an interactive process with the employee to devise reasonable accommodation, if possible.

Employees returning from PDL will be reinstated to the same, or to a comparable, position in accordance with law.

General Medical Leave

Employees who need time off work for illness or injury, and who have already exhausted, or are not eligible for CFRA leave, may request unpaid medical leave from the General Manager. BSMWC will consider, and may provide, such leaves as appropriate. Requests for foreseeable leave should be made in writing at least 30 days in advance, if possible. The employee must provide a note from their health care provider supporting the need for medical leave and state the anticipated beginning and ending dates of the leave.

Employees granted medical leave must exhaust any accrued sick and vacation time during the leave.

Upon returning from leave, the employee must provide BSMWC with a certification from their health care provider releasing them to return to work including any restrictions. BSMWC normally attempts to reinstate returning employees to the same, or a comparable, position, but there is no guarantee of reinstatement following general medical leave, except as required by law. If the medical leave is reasonable under the ADA, BSMWC will reinstate.

4.8 Return to Work

Employees returning to work after an absence because of injury or illness that is more than three days in length must provide a signed authorization to return to work, with or without restrictions, from their healthcare provider. BSMWC may also require a doctor's note for absences of shorter duration.

Should the employee be released with work restrictions, BSMWC will engage in the interactive process to determine whether the restrictions can be accommodated.

Expenses - 5.0

5.1 Business Expense Reimbursement

Any reimbursable training and anticipated expenses must be pre-approved by the General Manager. All requests must be submitted prior to the training via email.

BSMWC reimburses employees for bona fide business expenses incurred. This includes the authorized purchase of supplies or materials utilized by BSMWC. Reasonable expenses for meals, lodging, and travel expenses for approved business trips may also be reimbursable.

BSMWC may provide a per-diem to cover meals, gratuities, and incidental expenses for approved business trips of one day or longer. For shorter business trips, meals and gratuities may be reimbursed at actual costs. Alcoholic beverages and personal costs are generally not reimbursable. Receipts are required for all reimbursement requests, except for costs covered by per-diem.

BSMWC may reimburse lodging expenses for moderately priced local lodging when the employee is required by BSMWC to stay overnight on business.

When business requires, air or rail fare will ordinarily be provided or reimbursed at economy class rates. Rental cars, if approved in advance by BSMWC, will usually be allowed at compact car rates. Higher rates require the prior approval of BSMWC management.

Should a spouse/companion travel with the employee, all expenses incurred by the spouse/companion are the responsibility of the employee.

Employees wishing reimbursement for work-related expenses must make the request in writing and submit all receipts to the Office Manager within 10 business days of incurring the expense.

5.2 Company/Personal Vehicle

BSMWC maintains a Company vehicle for business transportation needs. Company employees may request to use this vehicle for business-related travel. Should a BSMWC vehicle be unavailable, BSMWC will reimburse the employee for use of their personal vehicle for all approved business-related mileage. The amount of reimbursement is at the amount per mile allowed by the Internal Revenue Service (IRS). Employees wishing mileage reimbursement for work-related travel in their personal vehicle must submit a written request to the Office or Manager that includes the date, total mileage, and purpose for the trip.

5.3 Professional Organization Memberships

BSMWC may provide, at no cost to the employee, authorized memberships in certain professional organizations related to their position. These memberships will be approved in advance by the General Manager. Employee requests for professional organization membership must be made in writing to BSMWC management.

Insurance - 6.0

6.1 Medical, Dental, and Vision Insurance

BSMWC makes available full medical, dental, and vision insurance to its eligible employees. Eligibility and participation in these programs are subject to the terms of the applicable insurance policy at the time of hire, whenever there is a change such as birth of adoption of a child, or during open enrollment.

6.2 Medical Pay In-Lieu of Coverage

Should an eligible employee choose not to carry BSMWC provided insurance, payment in-lieu of coverage may be provided. The rate of pay is subject to change and will be discussed with the General Manager prior to approval.

Pay Practices - 7.O

7.1 Time Sheets

Each non-exempt Company employee is required to complete, sign, and submit an approved, Company provided time sheet to the Office Manager at the end of each pay period. The employee is responsible for ensuring that their time sheet accurately accounts for all hours worked, and all paid/unpaid time off taken (except for 10-minute rest periods) during that pay period.

Exempt employees are expected to submit an account of any paid time off (e.g., if applicable paid vacation, holidays, or paid sick time) that they used during each pay period to the General Manager.

7.2 Tardiness

If an employee is running 15 minutes late, a group text must be sent notifying the team of the expected arrival time. The expectation would be no more than one tardiness in a 4-week period; anything additional may result in counselling.

Time can be made up during the current pay period or actual hours can be entered in the payroll system in 30-minute increments.

7.3 Exempt/Non-Exempt Employee Status

All Company employees are classified as either Exempt or Non-Exempt. Non-exempt employees are paid by the hour and are provided with overtime compensation for any overtime worked. By contrast, exempt employees are paid a salary for an agreed upon schedule.

7.4 Overtime Pay

Non-exempt employees may occasionally be required to work overtime, i.e., more than 10 hours per workday or forty hours per work week. Any incidence of overtime worked must be approved by the Office Manager or General Manager. Employees do not have the authority to work overtime without Company approval.

Non-exempt employees who work more than 10 hours in a workday, or more than forty hours in a workweek, receive overtime compensation at a rate of one and one half (1-1/2) times their regular rate of pay.

NOTE: Even if employees work overtime without authorization, they must be paid overtime. They can be disciplined for violating the authorization requirement, but they cannot legally be denied overtime compensation.

7.5 Withholding (Payroll Deductions)

Withholding is the practice of deducting certain amounts from the employee's paycheck to cover required obligations. These obligations may be mandatory (e.g., state and federal income tax, social security, court ordered attachments, etc.) or they may be voluntary (e.g., health insurance premiums, retirement contributions, etc.). All deductions are accounted for on the employees' paycheck stub.

It is the responsibility of each employee to notify the Office Manager of any changes in their withholding status.

7.6 Payday

BSMWC pays its employees every two weeks, or 26 times per year. Payday is currently every other Friday.

7.7 On-Call Pay

Field Staff are required to respond to after-hour phone calls and/or reported emergency situations (i.e., SCADA notifications) on a rotating on-call duty. The on-call technician is required to determine if the situation requires immediate response or can and should be addressed during the next normal business day.

The on-call employee will be compensated two-hours pay per day while on-call and will cover Monday – Sunday (unless otherwise agreed upon days with Office Manager notification and approval). On call employees receive this pay regardless of any call outs or not. Should an after-hours response become necessary the employee will be compensated per response as noted in Section 7.6 below.

7.8 Callout Pay

Any employee who is required by BSMWC to respond to an emergency call out outside of regular work hours (whether said employee is on-call or not) is compensated for the time worked from "portal to portal" (i.e., from the time the employee leaves home until such time as the employee returns), with a minimum callout compensation of two hours. Employees are eligible for "portal to portal" callout pay only if they are not currently at work, even if after hours, to respond to the emergency. Should an employee receive an additional call while on the job site, the employee will be paid for actual time worked.

7.9 Holiday On-Call or Emergency Call Pay

Any employee who is on-call or called out for an emergency during a holiday will be paid for the holiday and one and one half (1-1/2) times their regular rate of pay.

BOX SPRINGS MUTUAL WATER COMPANY

Financial Statements
with
Independent Accountants' Review Report

For the Year Ended
December 31, 2025

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SPAFFORD AND LANDRY CPAs
HERE TO MAKE THE COMPLEX SIMPLE.

Patrick D. Spafford, CPA
Todd C. Landry, CPA
Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

Independent Accountants' Review Report

To the Board of Directors
Box Springs Mutual Water Company

We have reviewed the accompanying financial statements of Box Springs Mutual Water Company, which comprise the balance sheet as of December 31, 2025, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Box Springs Mutual Water Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Spafford & Landry, Inc.

October 30, 2026

1849 W. Redlands Blvd., #102, Redlands, CA 92373 · P.O. Box 8847 Redlands, CA 92375 · Tel 909-792-1852 · Fax 909-792-2015

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FINANCIAL STATEMENTS

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BOX SPRINGS MUTUAL WATER COMPANY

Balance Sheet

December 31, 2025

ASSETS	
Current assets	
Cash and cash equivalents	$ 249,996
Accounts receivable	169,378
Grant receivable	1,548,013
Other receivable	265,000
Prepaid expenses	3,218
Total current assets	2,235,605
Property and equipment	
Land and improvements	34,546
Water distribution system	2,414,284
Building	68,458
Equipment	351,797
	2,869,085
Less: Accumulated depreciation	596,967
	2,272,118
Construction in progress	2,072,427
	4,344,545
Total assets	$ 6,580,150
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities	
Accounts payable	$ 1,016,319
Accrued expenses	785,710
Hydrant deposits	1,317
Total current liabilities	1,803,346
Service Deposits	86,026
Shareholders' equity	
Capital stock, no par value; 2,566 shares authorized, issued and outstanding	-
Retained earnings	4,690,778
Total shareholders' equity	4,690,778
Total liabilities and shareholders' equity	$ 6,580,150

The accompanying notes are an integral part of these financial statements.
See independent accountants' review report.

BOX SPRINGS MUTUAL WATER COMPANY

Statement of Operations

For the Year Ended December 31, 2025

Revenue	
Water sales and service charges	$ 819,749
Operating expenses	
Wages	159,601
Payroll taxes and fees	23,428
Purchased water	199,786
Power	83,998
Supplies and chemicals	27,524
Repairs and maintenance	181,072
Auto expenses	12,760
Depreciation	102,595
Laboratory fees	17,158
Licenses and permits	1,395
Insurance	37,431
Equipment rental	7,411
Write-off of deposit	5,000
Other expenses	2,565
Total operating expenses	861,724
Gross profit (loss)	(41,975)
General and administrative expenses	
Administrative salaries	145,213
Payroll taxes and fees	21,316
Outside services	12,362
Professional fees	60,665
Utilities and telephone	8,600
Insurance	64,533
Computer and service fees	47,429
Office expenses	34,046
Other expenses	4,999
State income taxes	9,371
Legal settlement	80,000
Total general and administrative expenses	488,534
Income (loss) from operations	(530,509)

Other income	
Capital grant revenue	$ 1,573,498
Connection fees	280,300
Late fees and other income	21,140
Shareholder assessment	256,305
Legal settlement	581,539
	2,712,782
Net income (loss)	2,182,273
Retained earnings	
Balance, beginning of year	2,508,505
Balance, end of year	$ 4,690,778

The accompanying notes are an integral part of these financial statements.
See independent accountants' review report.

BOX SPRINGS MUTUAL WATER COMPANY

Statement of Cash Flows

For the Year Ended December 31, 2025

Cash flows from operating activities	
Net income	$ 2,182,273
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation	102,595
(Increase) decrease in:	
Accounts receivable	(3,316)
Grant receivable	(1,548,013)
Other receivable	(265,000)
Prepaid expenses	8,283
Increase (decrease) in:	
Accounts payable	(613,083)
Accrued expenses	785,710
Hydrant deposits	(1,083)
Service deposits	3,218
Net cash provided by (used in) operating activities	651,584
Cash flows from investing activities	
Purchase of property and equipment	(512,432)
Net cash provided by (used in) investing activities	(512,432)
Cash	
Balance, beginning of year	110,844
Balance, end of year	$ 249,996
Supplemental Cash Flow Information	
Cash paid for income taxes	$ 9,371
Construction in progress included in accounts payable and accrued expenses	$ 1,626,018

The accompanying notes are an integral part of these financial statements.
See independent accountants' review report.

1. Nature of Business and Significant Accounting Policies

Box Springs Mutual Water Company (the Company) is a mutual water company operating for the purpose of supplying water to its shareholders. The shareholders of the Company are located in Riverside County, California.

The preparation of these financial statements requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Management also determines the accounting policies to be used in the preparation of financial statements. A description of the significant accounting policies employed in the preparation of these financial statements follows:

Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers cash and all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are primarily from water sales to customers. The Company has not accrued an allowance for credit losses because all amounts are expected to be collected in full within one year.

Property and Equipment

Property and equipment are stated at cost. The Company generally capitalizes purchases in excess of $1,000 with useful lives that exceed one year and uses the straight-line method of depreciation over the following estimated useful lives of the assets:

Land improvements	25 to 30 years
Buildings	10 to 35 years
Water distribution system	8 to 40 years
Equipment	5 to 20 years

The cost of property and equipment retired or otherwise disposed of, and the accumulated depreciation thereon are eliminated from the asset and related accumulated depreciation accounts, and the resulting difference, after giving effect to any proceeds from sales, is recognized as gain or loss on the sale. Maintenance and repairs are charged to expense as incurred. Replacements and improvements, which extend the life of an asset, are capitalized.

1. Nature of Business and Significant Accounting Policies (Continued)

Income Taxes

The Company is organized and operates as a mutual water company exempt from federal income taxes under code section 501(c)(12) of the Internal Revenue Code, as long as at least 85% or more of its income is derived from the sale of water to shareholders and is used to provide water to those shareholders. For state income tax purposes, the Company is taxed as a regular corporation, except that net income on water service is treated as a deduction for tax purposes.

Management believes that all of the positions taken by the Company in its federal and state income tax returns are more likely than not to be sustained upon examination. The Company's tax returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed.

Revenue Recognition

Revenue from customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Water revenue and assessments

Water revenue and assessments are recognized over time as the customer receives and consumes the benefit from the performance of the related water services. Water and assessments are billed every month.

Charges for improvements and connection fees

Revenue from charges for improvements is recognized over time as the services are rendered. Connection fees are the amount paid by customers in exchange for the set-up of a connection from the customer's establishment to the Company's water network. Revenue from connection fees is recognized as the services are rendered.

Other operating income

Other customer related fees such as reconnection and disconnection fees and income from customers late payments are recognized at a point in time when the control over these services has been transferred to the customer. Grant revenue is recognized when the grant expenditures have been incurred.

Functional Expenses

Direct expenses are charged to the functional area to which they relate.

2. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following:

Cash and cash equivalents	$ 249,996
Receivables	1,982,391
Payables and accrued expenses	(1,802,029)
	$ 430,358

As part of the Company's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations as they come due.

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The Company maintains its cash with one financial institution, which at times during the year exceeded the Federal Deposit Insurance Corporation's insurance limit. At December 31, 2025, the Company had $0 in deposits in excess of FDIC insurance limits.

The Company's accounts receivables are primarily from shareholders/customers located in the Moreno Valley area of Riverside County, California. The Company's risk related to customer receivables is minimal due to its ability to discontinue water services.

4. Subsequent Events

Events or transactions that occurred after December 31, 2025 up through October 30, 2026, the date the Company's financial statements were available for issuance, were reviewed for subsequent event accounting and disclosure. Management has determined that there were no other events that require additional disclosures.

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