

DEVORE WATER COMPANY
18185 Kenwood Avenue, Devore, California 92407
Email: devorewater@verizon.net

**NOTICE OF ANNUAL MEETING OF THE SHAREHOLDERS
OF THE DEVORE WATER COMPANY**

101 Years of Service to the Devore Community

January 11, 2011

Dear Shareholders:

Notice is hereby given that the annual meeting of the shareholders of **DEVORE WATER COMPANY** will be held at Devore Water Company building at, 18185 Kenwood Avenue in Devore, California, on **Thursday, January 27, 2011**, at 7:00 p.m.

An official meeting will be held to elect a Board of Directors and conduct general business if 30% or more of the 735 shares are represented by attending shareholders and signed proxies. Activities during the year will be reviewed and any other matters that properly come before the meeting will be discussed.

If you cannot attend please appoint your proxy over to a shareholder who will be attending the meeting or you may appoint a board member as your proxy. Please sign the proxy, mail it or bring it to the **DEVORE WATER COMPANY** office, 18185 Kenwood Avenue, Devore, CA 92407.

Devore Water Company Shareholders Report, the Accounting Review and Financial Statements for the Fiscal Year ending in 2010 are included in this notice for your information.

All stockholders of record as of January 22, 2010, are cordially invited to attend and participate.

Mark Slobom
President, Board of Directors

**DEVORE WATER COMPANY
STOCKHOLDERS REPORT FOR THE OPERATING YEAR 2010**

List of Directors and Staff:

Directors: President
Vice-President
Secretary-Treasurer

Mark Slobom
Susan Lamb
Douglas Claflin

Steven Avila
David Bridgewater
Jeffrey Deputy
Valerie Henry
Robert Kinne
Kenneth Petschow
George Sneed
Chrystal Whitmore
John Wiles

Staff: General Manager
Office

Maintenance

George Sneed
Margaret Bell

Scott Ring
Philip Gaddis

STOCKHOLDERS REPORT FOR THE OPERATING YEAR 2010

FINANCIAL: The Company continues to review expenses and maintain the budget throughout the year. Attached is a separate financial statement prepared by the office of Michael DiPietro, CPA.

Water tolls were able to meet operating expenses in fiscal year of 2009 as they did in 2008. The basic monthly service-ready fee of \$ 13.00 is charged to each meter. The basic fee includes 250 cubic feet of water for each share owned. For usage beyond the first 250 cubic feet per share up to 20,000 cubic foot, \$.90 to \$ 2.50 per hundred cubic feet is charged at a graduating rate. The graduated rate was adopted in July of 2003, to compensate for the unforeseen increased electrical costs and increased costs of providing service during the serious drought conditions.

In an effort to stop excessive water use, in August, 2007, the board moved to increase the cost of water usage over 20,000 cubic feet to \$ 4.00 per hundred cubic foot, after 40,000 cubic foot the cost is \$ 6.00 per hundred cubic foot.

Regular assessments of \$ 50.00, per share levied in February of 2010 and \$ 50.00 in July of 2010 were able to meet costs of capital improvements. No extra assessment was required in 2009.

Business Line of Credit in the amount of \$200,000 was established in January 2008, and again reestablished in November 2010. \$103,000 was used to fund the Kimbark Project at the end of 2008. There have not been any other funds drawn. As of October 31, 2010 the business line is paid down to nearly \$48,000. As of November 2010, the line of credit available to the Company is \$152,000.

No capacity charge or meter fees were received in 2010. When a capacity charge is received it is applied to the principal of the business line of credit owed.

The charge for installing a new meter is determined by its size remains the same. The basic cost for a 5/8" meter is \$5,000; the cost for a 3/4" meter is \$6,000; the cost for a 1" meter is \$7,500. That charge includes a basic installation fee of \$2,500, and a capacity charge that increases with the size of the meter. An additional \$1,000 is added to the installation charge when installation of the service line crosses the street.

OPERATIONS: Mr. Richard Meyer served as president until December. He accepted employment in Northern California and can no longer serve as an officer. Mr. Mark Slobom was elected to the presidency at the regular monthly meeting of December 14, 2010; George Sneed continues to hold the position of General Manager. Mr. Sneed oversees the daily work schedule and approves specific tasks. Routine maintenance, fixing small leaks, flushing, and meter reading are performed by Mr. Ring and Mr. Gaddis. El-Co Contractors and MDS Construction do major repairs and upgrades. Water sampling (done by Clinical Laboratory of San Bernardino), and chlorinating is supervised by Crystal Bell a certified water operator, as required by California Department of Public Health.

No meters were installed in 2010. Total meters in the system number 492; twenty-nine of these are inactive.

There are 735 shares issued, held by 503 shareholders.

Water from springs and lateral wells in the mountains is delivered to the reservoirs and then to the system by gravity. Supplemental water must be pumped from vertical wells at the expense of electricity. In 2010, gravity provided about 72% of Devore's water while electricity was required to pump the additional 28%. In 2009, gravity provided 48% of our water while electricity was required to pump the additional 52%. Meters are in place to measure all sources and reservoir overflows to better account for water losses.

New Development Projects: Improving water delivery at the source in Middleman Falls along with other small upgrades has been the focus in 2010.

STATE OF THE SYSTEM: Total community water sold in 2010 was down, at 17,508,200 cubic feet, as compared with 19,185,900 cubic feet sold in 2009. We are proud of our good water. No State contamination safe levels were exceeded. To forever keep our water pure, please and absolutely **do not dump any** industrial chemicals, pesticide, herbicide, and automotive, acid or radioactive substances. Please immediately report any dumping activity in Devore and especially in the watershed above Devore, to our office.

Please prevent dirty water from entering our water system. A protected anti-siphon device should be installed correctly in your residential service line if you have a lawn sprinkler system or have facilities to maintain

animals. The anti-siphon device will prevent dirty water from entering the distribution system during low-pressure episodes. Hoses hung in animal watering troughs are strictly forbidden by County and State Health Ordinances. Please report any observations of this nature to our office.

The Consumers Confidence Report (CCR) will be sent to our customers in June 2011.

FUTURE DEVELOPMENT:

Using the Water System Over-View & Plan, future upgrading projects are being planned and schedules will be assigned. Necessary projects are proposed where improved performance is required. Long term goals are to increase low pressures at high elevations, to control high pressures at low elevations and replace older lines as needed. We review major new projects. Future assessments will be required to cover these essential projects. **Projects Planned for 2011:** A mainline upgrade on Woodlawn Ave. is planned for 2011. Our Engineering Committee continues to plan other long term projects.

WATER CONSERVATION:

Our special thanks go out to all of you who conserved water. Your efforts make it possible to keep water in our reservoirs for fire fighting.

Leaks: If your meter still spins after all your faucets are turned off, then you have a leak. Please fix your leaks.

OFFICE:

Share Transfers: The Board of Directors has changed the transfer policy in accordance with California Corporations Civil Code 14300. The office is instructed to transfer any Devore Water Company certificate serving a property, due to the sale, foreclosure, or probate proceedings to the new property owner. Please contact the office for Standard Operating Procedures and the California Corporations Code. Chapter 1, 14300-14303.

Our mailing address is 18185 Kenwood Avenue, Devore, CA 92407. The office and shop are located at the southeast corner of Kenwood Avenue and Redwood Lane. Entry to the office is on Redwood Lane. Office hours are 9:00 a.m. to 4:00 p.m., Monday through Thursday. The office is closed all legal holidays. For your convenience there is a locked drop box in front of the building near the gate.

The office **does not** accept debit or credit cards.

The telephone number is (909) 887-3310; the FAX number is (909) 887-3488; the after hours emergency number is (909) 709-3113. Our email address is: devorewater@verizon.net.

Our website is: www.devorewater.com.