

GREEN VALLEY MUTUAL WATER COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT
DECEMBER 31, 2023

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VOLLMER & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountants' Review Report

February 22, 2024

To the Board of Directors
Green Valley Mutual Water Company
Green Valley Lake, California

We have reviewed the accompanying financial statements of Green Valley Mutual Water Company (a California non-profit mutual benefit corporation) which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of income and retained earnings and cash flows for the twelve months 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 engagements 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 Green Valley 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 reviews, 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.

Vollmer and Associates, CPAs

Vollmer and Associates, CPAs
Certified Public Accountants

GREEN VALLEY MUTUAL WATER COMPANY
CONSOLIDATED BALANCE SHEET
EXHIBIT A
As of December 31, 2023

ASSETS

Current assets:

Cash - Exhibit C and (Note 2)	\$ 2,388,749
Accounts receivable (Note 3 and 4)	329,854
Inventory (Note 1)	52,769
Prepaid expenses	16,565
Total current assets	2,787,937

Property and equipment (Note 1):

Land	19,124
Wells	202,352
Pump structures	275,677
Pump equipment	38,257
Water tanks	1,089,450
Water mains & system	4,760,303
Structures & improvements	640,186
Office equipment & furniture	102,158
Transportation equipment	199,467
Tools & equipment	231,795
Communications equipment	2,243
Land improvements	204,822
Work in progress	91,565
Accumulated depreciation	(3,071,828)
Total property and equipment	4,785,571

Other assets:

Non-current accounts receivable (Note 3 and 4)	75,741
Lateral bond	1,022
Total other assets	76,763

Total assets	\$ 7,650,271
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GREEN VALLEY MUTUAL WATER COMPANY
CONSOLIDATED BALANCE SHEET (CONTINUED)
EXHIBIT A
As of December 31, 2023

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable - trade	\$	11,450
CA Franchise tax payable (Note 1 and 8)		768
Payroll taxes payable		579
Accrued vacation and sick pay		11,827
Total current liabilities		24,624
		24,624

Stockholders' equity:

Paid in capital

Stock issued - 2,500 shares authorized, 1,628 shares issued and outstanding		14,173
Additional paid in capital		19,036
Total paid in capital		33,209

Appropriated retained earnings (Note 5):

Operations reserve		248,838
Capital asset contingency reserve		800,000
Surface storage / transmission reserve		1,330,000
Total appropriated retained earnings		2,378,838

Total unappropriated retained earnings - Exhibit B		5,213,600
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Total stockholders' equity		7,625,647
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Total liabilities and stockholders' equity	\$	7,650,271
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GREEN VALLEY MUTUAL WATER COMPANY
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
EXHIBIT B
For the year ended December 31, 2023

	<u>Water</u>	<u>Recreation</u>	<u>Total</u>
Revenue:			
Monthly connection charges	\$ 516,135	\$ -	\$ 516,135
Recreation income	-	199,155	199,155
Overage charges	109,875	-	109,875
Stock transfer fees	31,400	-	31,400
Other service charges	17,462	-	17,462
Overpayments	(8,008)	-	(8,008)
Rental income	20,179	-	20,179
Investment income	10,710	122	10,832
Miscellaneous income	14,415	-	14,415
Total revenue	<u>712,168</u>	<u>199,277</u>	<u>911,445</u>
Expense:			
Payroll and related costs			
Salaries and wages	263,092	85,994	349,086
Workers compensation insurance	6,149	13,393	19,542
Payroll taxes	24,958	10,210	35,168
Retirement plan (Note 7)	9,266	-	9,266
Total payroll and related costs	<u>303,465</u>	<u>109,597</u>	<u>413,062</u>
Advertising (Note 1)	-	129	129
Automotive expense	5,989	-	5,989
Bad debt expense	138	-	138
Bank charges	99	2,526	2,625
Board meeting expense	6,222	-	6,222
Clubhouse maintenance	564	-	564
Communication service	6,710	-	6,710
Competitive event expense	-	147	147
Depreciation	189,907	4,081	193,988
Fish planting	-	48,480	48,480
Insurance	83,863	17,805	101,668
Interest expense	-	35	35
Lab tests / water	9,849	14,160	24,009

See Notes to Financial Statements and Independent Accountants' Review Report

GREEN VALLEY MUTUAL WATER COMPANY
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS (CONTINUED)
EXHIBIT B
For the year ended December 31, 2023

	<u>Water</u>	<u>Recreation</u>	<u>Total</u>
Miscellaneous expense	\$ 1,155	\$ 650	\$ 1,805
Office administration	9,706	1,033	10,739
Office supplies and postage	6,430	1,264	7,694
Outside services	-	3,077	3,077
Penalties	31	490	521
Permits and fees	35,419	4,239	39,658
Professional services	10,243	2,650	12,893
Property taxes	4,901	-	4,901
Repairs and maintenance	15,860	11,380	27,239
Supplies	64	8,153	8,217
Training	176	-	176
Utilities and telephone	10,768	13,263	24,031
Water system maintenance	38,629	-	38,629
Total expense	<u>740,188</u>	<u>243,159</u>	<u>983,346</u>
Income (loss) from operations	(28,020)	(43,882)	(71,901)
Assessments:			
Assessments - regular	529,157	-	529,157
Assessments - penalties	28,898	-	28,898
Total assessments	<u>558,055</u>	<u>-</u>	<u>558,055</u>
Income before provision for (benefit from) income tax	530,035	(43,882)	486,154
Provision for (benefit from) income tax (Note 1 and 8)	<u>2,237</u>	<u>2,709</u>	<u>4,946</u>
Net income (loss) - Exhibit C	<u>\$ 527,798</u>	<u>\$ (46,591)</u>	481,208
Unappropriated retained earnings, beginning			5,871,533
Transfer to appropriated retained earnings			<u>(1,139,141)</u>
Unappropriated retained earnings, ending - Exhibit A			<u>\$ 5,213,600</u>

See Notes to Financial Statements and Independent Accountants' Review Report

GREEN VALLEY MUTUAL WATER COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
EXHIBIT C

For the year ended December 31, 2023

Cash flows from operating activities:

Net income (loss) - Exhibit B \$ 481,208

Adjustments to reconcile net income to net cash
provided by operating activities:

 Depreciation 193,988

(Increase)/decrease in operating assets:

 Accounts receivable (36,195)

 Inventory (37,602)

 Prepaid expenses 1,795

 Non-current accounts receivable (21,507)

 Work in progress 230,606

Increase/(decrease) in operating liabilities:

 Accounts payable 6,770

 CA Franchise tax payable 579

 Payroll taxes payable 182

 Accrued vacation and sick pay 3,006

Total adjustments 341,622

Net cash provided (used) by operating activities 822,830

Cash flows from investing activities:

 Purchase of fixed assets (804,671)

Net cash provided (used) by investing activities (804,671)

Net increase (decrease) in cash and cash equivalents 18,159

Cash and cash equivalents at beginning of period 2,370,590

Cash and cash equivalents at end of period - Exhibit A and (Note 6) \$ 2,388,749

Supplementary Disclosures of Cash Flows Information:

Cash paid during the year for:

 Income tax - Exhibit B \$ 4,946

See Notes to Financial Statements and Independent Accountants' Review Report

GREEN VALLEY MUTUAL WATER COMPANY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - OPERATIONAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Nature of Operations

Green Valley Mutual Water Company is a non-profit corporation organized in California in 1926. The Company developed, maintains, and operates the water supply system for the community of Green Valley Lake, California providing service to approximately 1,600 households/shareholders.

In addition to the provision of water services, the Company, through its wholly owned subsidiary GVL Recreation, Inc., operates Green Valley Lake as a recreational water facility during the summer months. The facility is available to the general public and generates sufficient net income to offset certain costs that would otherwise be borne by Green Valley Mutual Water Company. GVL Recreation, Inc. operates independently from Green Valley Mutual Water Company, has its own Board of Directors, and did not transfer funds to, or receive funding from, Green Valley Mutual Water Company during the twelve months ended December 31, 2023.

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of Green Valley Mutual Water Company and its wholly owned subsidiary GVL Recreation, Inc. Green Valley Mutual Water Company pays the insurance expense on behalf of GVL Recreation, Inc., and, in turn, GVL Recreation, Inc. reimburses Green Valley Mutual Water Company for those disbursements.

Property and Equipment

Fixed assets are stated at cost. Expenditures for repairs and maintenance are charged to operations. Renewals and betterments that materially extend the useful life of an asset are capitalized. Depreciation for both financial statement and tax purposes is computed using the straight-line method of depreciation over useful lives that range from 5 years to 40 years.

Income Tax

Green Valley Mutual Water Company is exempt from federal income tax under Section 501(c)(12) of the Internal Revenue Code; however, its non-exempt income is subject to California tax as a regular corporation. GVL Recreation, Inc. is taxable as a regular California corporation. The federal and state returns of the Company are subject to examination by the IRS, generally for three years after they were filed.

Deferred Income Tax

There are no material timing differences between income for financial statement purposes and income for tax purposes. Accordingly, no provision for deferred income tax is included on the balance sheet of the Company as of December 31, 2023.

See Independent Accountants' Review Report

GREEN VALLEY MUTUAL WATER COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

NOTE 1 - OPERATIONAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory of supplies is reported at cost using the first in first out method.

Revenue Recognition

The majority of the Company's revenue consists of fees and assessments for water services. The connection fee and the assessment for water services are billed on a quarterly basis. This revenue is the same amount each quarter. Water usage revenue is billed twice per year in June and October per our contract with our customers. Revenue is recognized when the contract is fulfilled, quarterly for the fees and assessments and twice per year for the water usage.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Green Valley Mutual Water Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended December 31, 2023, was \$129.

NOTE 2 – CASH, UNAPPROPRIATED AND APPROPRIATED

For financial reporting purposes, cash set aside for future contingencies and replacement of fixed assets has been shown in the balance sheet of the Company as cash that is appropriated. The amount of cash reported as appropriated as of the balance sheet date is limited to the amount reported as retained earnings reserves (see Note 5) but may be less depending upon the total cash balance as of the end of the year. There are no legal restrictions that would prohibit the use of this cash for other purposes.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable have been segregated into current and non-current amounts as of December 31, 2023. The balance in non-current accounts receivable, while expected by management to be fully collectible, may not be collected in the next twelve months. Amounts included in non-current accounts receivable are secured by actual liens against customer properties and must be paid in full before the transfer of the related shares will be processed. It is expected by management that these amounts will be paid off when those properties sell. Accordingly, no valuation account for the impairment of these accounts receivable has been recorded.

See Independent Accountants' Review Report

GREEN VALLEY MUTUAL WATER COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

NOTE 4 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to substantial concentrations of credit risk consist principally of cash and accounts receivable. Concentrations of credit risk with respect to cash are limited because the Company maintains cash balances with several financial institutions, which are insured by the FDIC for up to the current limit of \$250,000 per institution. The Company bylaws require that all cash balances are to be maintained at or below FDIC limits.

Concentrations of credit risk with respect to accounts receivable are limited due to the significant number of customers that comprise the customer base. Further, in the event of nonpayment, water services are discontinued, and any unpaid amounts must be paid before shares can be transferred (See Note 3).

NOTE 5 – APPROPRIATED RETAINED EARNINGS

Appropriated retained earnings accounts have been established by management at the direction of the Board of Directors as a means of disclosing the amount of retained earnings that are required for replacement of long-term assets and future contingencies. The earmarking of retained earnings and the offsetting appropriated cash amounts are part of an overall plan of risk management directed toward a preservation of adequate working capital.

Appropriated retained earnings, and the offsetting appropriated cash amounts, while allocated for future use, are not legally restricted. The analysis of changes in retained earnings is presented in Exhibit B. Specific reserve account titles and functions are as follows:

Surface Storage and Transmission Reserve

This reserve was established to provide for anticipated future expenditures related to the replacement and upgrade of water system pipelines, wells, and tanks. The balance in this reserve account is changed periodically as a result of an ongoing Board of Directors review process that takes into account planned future changes to the water system necessitated by obsolescence and changes in demand.

Capital Asset Contingency Reserve

This reserve was established to provide funds for the repair of unanticipated damage to the water system pipelines, wells and tanks. Balance is adjusted periodically to coincide with additions to the water system with a goal of maintaining a reserve balance that is approximately 10% of the cost of total water system equipment and property.

Operations Reserve

This reserve was established to provide operating funds for a period of three months.

See Independent Accountants' Review Report

GREEN VALLEY MUTUAL WATER COMPANY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2023

NOTE 6 - STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows the Company considers all highly liquid debt instruments with an initial maturity of twelve months or less to be cash equivalents. Amounts expended for income taxes during the twelve months ended December 31, 2023, was \$4,946.

NOTE 7 - RETIREMENT PLAN

The Company has in place a Simplified Employee Pension (SEP) plan for full-time employees. Contributions are funded by the Company on a monthly basis at a rate of 5% of qualifying compensation. Contributions to the plan on behalf of employees for the twelve months ended December 31, 2023, was \$9,266.

NOTE 8 - PROVISION FOR INCOME TAX

The December 31, 2023 provision for income tax consists of federal and state income tax in the amount of \$4,946, of which \$2,237 is attributable to Green Valley Mutual Water Company.

NOTE 9 - CAPITALIZED PAYROLL

When improvements are made to the Company water system, a portion of that work is performed by Company employees. The expense for those services is recorded as part of the cost of those improvements. Capitalized salaries and wages for the twelve months ended December 31, 2023, were \$49,480. Amounts capitalized reduce current year expense.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 22, 2024, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements as of that date.

See Independent Accountants' Review Report