

# **White Oaks Mutual Water Company**

**Cottonwood, California**

**FINANCIAL STATEMENTS WITH INDEPENDENT  
ACCOUNTANT'S REVIEW REPORT**

**May 31, 2025**

# **White Oaks Mutual Water Company**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
White Oaks Mutual Water Company  
Cottonwood, California

We have reviewed the accompanying financial statements of White Oaks Mutual Water Company, a not-for-profit organization (the Company), which comprise the statement of financial position as of May 31, 2025, and the related statements of activities, functional expenses, 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 the Company's 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.

### ***Accountant's 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 White Oaks Mutual Water Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

## **INDEPENDENT ACCOUNTANT'S REPORT**

(Continued)

### **Accountant's 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.

*AGT CPAs & Advisors*

AGT CPAs & Advisors

Redding, California

September 3, 2025

# White Oaks Mutual Water Company

## STATEMENT OF FINANCIAL POSITION

May 31, 2025

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### ASSETS

#### Current Assets

Cash and cash equivalents	\$ 261,720
Investments - short term	90,414
Accounts receivable	1,618
Undeposited funds	1,086
<b>Total Current Assets</b>	<b>354,838</b>

#### Capital Assets

Office equipment	311
Machinery and equipment	226,533
Land and improvements	206,914
Less accumulated depreciation	(319,512)
<b>Total Capital Assets</b>	<b>114,246</b>

#### Other Assets

Software	5,246
Less accumulated amortization	(1,603)
Investments - long-term	120,844
<b>Total Other Assets</b>	<b>124,487</b>
<b>TOTAL ASSETS</b>	<b>\$ 593,571</b>

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$ 2,608
State tax payable	983
Customer deposits	2,380
<b>Total Current Liabilities</b>	<b>5,971</b>
<b>Total Liabilities</b>	<b>5,971</b>

#### Net Assets

Net assets without donor restrictions	587,600
<b>Total Net Assets</b>	<b>587,600</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 593,571</b>

*See the accompanying notes and independent accountant's review report.*

# White Oaks Mutual Water Company

## STATEMENT OF ACTIVITIES

Year Ended May 31, 2025

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### REVENUE

Water fees	\$ 138,204
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<b>Total Revenue</b>	<b>138,204</b>
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### EXPENSES

#### Program Services

Water services	94,619
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<b>Total Program Services</b>	<b>94,619</b>
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#### Supporting Services

Management and general	50,212
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<b>Total Supporting Services</b>	<b>50,212</b>
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<b>Total Expenses</b>	<b>144,831</b>
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### Other Revenue

Interest income	10,882
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Dividend income	1,705
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Unrealized gain	1,555
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<b>Total Other Revenue</b>	<b>14,142</b>
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<b>Changes in Net Assets Before Taxes</b>	<b>7,515</b>
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Provision for income taxes	1,139
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<b>Changes in Net Assets</b>	<b>6,376</b>
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<b>Net Assets Without Donor Restriction - Beginning of Year</b>	<b>581,224</b>
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<b>Net Assets Without Donor Restriction - End of Year</b>	<b>\$ 587,600</b>
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*See the accompanying notes and independent accountant's review report.*

# White Oaks Mutual Water Company

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2025	Program Services		Supporting Services		Total
	Water Services	Management and General			
Contract labor	\$ 27,048	\$ 20,351	\$ 47,399		
Utilities	46,029	-		46,029	
Repairs and maintenance	18,353	-		18,353	
Legal and professional	-	13,340		13,340	
Office expense	-	4,236		4,236	
Water testing	3,189	-		3,189	
Depreciation	-	3,049		3,049	
Internet	-	1,770		1,770	
Licenses and permits	-	1,623		1,623	
Car and truck	-	1,608		1,608	
Amortization	-	1,603		1,603	
Bank charges	-	1,306		1,306	
Telephone	-	624		624	
Travel	-	408		408	
Rent and lease	-	294		294	
<b>Total Expenses</b>	<b>\$ 94,619</b>	<b>\$ 50,212</b>	<b>\$ 144,831</b>		

*See the accompanying notes and independent accountant's review report.*

# White Oaks Mutual Water Company

## STATEMENT OF CASH FLOWS

Year Ended May 31, 2025

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### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 6,376
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization	4,652
Realized and unrealized (gain) loss on investments	(1,556)
Changes in:	
Accounts receivable	2,301
Undeposited funds	(1,086)
Prepaid expenses	75
Accounts payable	1,696
Taxes payable	983
Customer deposits	607

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<b>Net Cash and Cash Equivalents Provided By Operating Activities</b>	<b>14,048</b>
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### CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(90,000)
Proceeds from sale of investments	90,000
Purchase of equipment and software	(19,753)

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<b>Cash and Cash Equivalents Used by Investing Activities</b>	<b>(19,753)</b>
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<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(5,705)</b>
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<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>267,425</b>
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<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 261,720</b>
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*See the accompanying notes and independent accountant's review report.*

# White Oaks Mutual Water Company

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities** The White Oaks Mutual Water Company (the Company) is a private water system consisting of 126 lots in Cottonwood, California. Each lot owner in good standing is a shareholder. The system consists of two wells with 60 horsepower pumps and two 10,000 gallon hydro pneumatic tanks. The system has a backup emergency generator.

The Company is incorporated as a non-profit organization and is regulated by County, State, and Federal Agencies and adheres to strict codes and standards. These standards assure ethical operation and strict testing requirements which provide clean and safe drinking water to the subdivision.

The Company currently has a four-member Board of Directors who are elected by the members of the Company at the annual corporate meeting. The Board can have up to five members on its Board of Directors. Members of the Company consist of residents of the White Oaks Subdivision. Directors of the Board must be members of the Company and are elected for three-year terms on a rotating basis.

**Basis of Accounting** The financial statements of the Company have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation** The Company's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, the Company is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

**Net Assets Without Donor Restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**Net Assets with Donor Restrictions:** Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which revenue is recognized. As of May 31, 2025 the company did not have any net assets with donor restrictions.

# White Oaks Mutual Water Company

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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**Use of Estimates** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Company's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Company's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**Cash and Cash Equivalents** For purposes of the statement of cash flows, cash equivalents are short term, highly liquid investments with original maturities of three months or less. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). There are no amounts in excess of the FDIC limit as of May 31, 2025.

**Accounts Receivable** Amounts due from customers, which pertain to annual assessment charges, are reported as accounts receivable. The Company believes that all accounts receivables as of May 31, 2025, are fully collectible. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Bad Debts** The Company has not established an allowance for credit losses and does not use the current expected credit loss (CECL) method for recognizing bad debts. The Company uses the direct write-off method of accounting for bad debts. Accounts receivable balances in excess of one year are considered to be uncollectible. Management believes the effect of using the direct write-off method is not materially different from the results that would have been obtained under the CECL method. For fiscal year ending May 31, 2025, there was no bad debt expense recorded.

**Capital Assets** Constructed or purchased assets are recorded at historical cost or estimated historical cost. Donated assets are recorded at the estimated fair market value on the date of donation. Assets with a useful life of more than one year are capitalized. The Company expenses maintenance and repair costs when incurred. Renewals and betterments greater than \$2,500 that materially extend the life of an asset are capitalized.

Asset depreciation lives are as follows:

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Well and pumps	7-15 Years
Pipes and supplies	5-15 Years
Office equipment	5-10 Years

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**Regulations** Effective January 1, 2012, California law imposed a requirement on mutual water companies that own and operate a public water system. California Assembly Bill 54 codified in the California Corporations, Government, and Health and Safety Codes, the requirements intended to improve the quality of water served by domestic mutual water companies. Code 14301.3(b) requires that a mutual water company maintain financial reserves at a level that is sufficient to make necessary repair and replacements to its facilities in compliance with the Federal and State Safe Drinking Waters Act. The Company maintains sufficient reserves.

# White Oaks Mutual Water Company

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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Effective January 1, 2014, California law imposed a requirement on mutual water companies that own and operate a public water system. California Assembly Bill 240 codified in the California Corporations, Government, and Health and Safety Codes, the requirements intended to improve the quality of water served by domestic mutual water companies. Code 14306 requires that a mutual water company adopt in an open meeting an annual budget. Additionally, Code 14306 (b) requires the board of a mutual water system to contract with a certified public accountant to conduct an annual review of the financial records. The review shall be subject to the generally accepted accounting standards. The Company is in compliance with these regulations.

**Tax Status** The Company is incorporated and exempt from federal income taxation under section 501(c)(12) of the Internal Revenue Code (IRC), though it would be taxed on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The Company is required by the State of California to file a corporate tax return for their unrelated income from investments.

**Revenue Recognition** The Company recognizes the primary component of revenues as follows:

Water fees are revenue derived from customers for the use of the water system and the water provided to each lot owner based on their individual consumption. Fee income is recorded on a monthly basis for services provided in that month.

**Subsequent Events** The Company has evaluated subsequent events through September 3, 2025 the date the financial statements were available to be issued.

## 2. INVESTMENTS

The Company invests in certificates of deposit (CDs) that are classified as held-to-maturity securities. Held-to-maturity securities are debt financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intent and ability to hold to maturity.

Initially, these CD's are recorded at the original cost or market value and thereafter at amortized cost. The investments held in CDs did not result in any amortization on the date of issuance because they were purchased at par value. The following is summary of the Company's investments in held-to-maturity CDs as of May 31, 2025.

May 31, 2024	2025
Due within one year	\$ 90,414
Due after one year through three years	120,844
<b>Total Investments</b>	<b>\$ 211,258</b>

# White Oaks Mutual Water Company

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 3. LIQUIDITY AND AVAILABILITY

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

May 31, 2025

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Cash	\$ 261,720
Investments - short term	90,414
Accounts receivable	1,618
<b>Total</b>	<b>\$ 353,752</b>

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The Company's management and Board of Directors meet quarterly to review their financial resources. Water fee rates are increased when it appears there may be a financial need.

### 4. FUNCTIONAL ALLOCATION OF EXPENSE

The costs of providing the Company's water services has been summarized on a functional basis within the Statement of Functional Expenses. Management and general expenses include those expenses that are not directly identifiable with the water services function but provide for the overall support and direction of the Company.

### 5. FAIR VALUE MEASUREMENTS

The Company follows the guidance of FASB ASC Topic 820, Fair Value Measurement, for measurements of financial assets and financial liabilities and for measurements on nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of fair value hierarchy are as follows:

*Level 1:* Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

*Level 2:* Inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3:* Inputs are unobservable inputs for the asset or liability.

## **White Oaks Mutual Water Company**

### **NOTES TO THE FINANCIAL STATEMENTS**

**(Continued)**

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The level in the fair value hierarchy in which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement. Accordingly, the Company believes the carrying value of cash and cash equivalents, investments, and accounts receivable to be representative of their fair values based on their short-term nature. The Company holds only Level 1 investments.