

SQUAW VALLEY MUTUAL WATER  
COMPANY

Olympic Valley, California

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

June 30, 2022 and 2021

# SQUAW VALLEY MUTUAL WATER COMPANY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Squaw Valley Mutual Water Company

### **Opinion**

We have audited the accompanying financial statements of Squaw Valley Mutual Water Company, which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Squaw Valley Mutual Water Company as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Squaw Valley Mutual Water Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Squaw Valley Mutual Water Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but

is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Squaw Valley Mutual Water Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Squaw Valley Mutual Water Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*McClintock Accountancy Corporation*

McCLINTOCK ACCOUNTANCY CORPORATION  
Tahoe City, California  
January 19, 2023

## SQUAW VALLEY MUTUAL WATER COMPANY

Exhibit A

## STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 152,007	\$ 188,350
Cash and cash equivalents (Capital Asset Improvements and Replacements, Note 8)	399,169	268,897
Regular assessments receivable, net allowance for doubtful accounts of \$21,727 in 2022 and \$19,396 in 2021	16,015	18,384
Deferred lateral rebate receivable	-0-	269
Prepaid expenses	1,590	1,548
Supplies inventory	<u>7,686</u>	<u>26,905</u>
<b>Total Current Assets</b>	<u>576,467</u>	<u>504,353</u>
<b>Long Term Assets</b>		
Investment in CoBank	1,000	1,000
Property and equipment:		
Depreciable assets	6,741,713	6,735,159
Less: accumulated depreciation	<u>(1,811,760)</u>	<u>(1,630,306)</u>
	4,929,953	5,104,853
Construction in progress	<u>1,705,814</u>	<u>173,218</u>
Property and equipment - net (Note 4)	<u>6,635,767</u>	<u>5,278,071</u>
<b>Total Long Term Assets</b>	<u>6,636,767</u>	<u>5,279,071</u>
<b>Total Assets</b>	<u>\$ 7,213,234</u>	<u>\$ 5,783,424</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 402,049	\$ 22,111
Accrued liabilities	320,033	19,525
Deferred interest earned	2,431	2,431
Current portion of deferred revenue (Note 6)	2,171	2,171
Current portion of lateral rebate liability (Note 6)	-0-	269
Current portion of long-term debt (Note 5)	<u>74,819</u>	<u>72,091</u>
<b>Total Current Liabilities</b>	<u>801,503</u>	<u>118,598</u>
<b>Long Term Liabilities</b>		
Long-term deferred revenue (Note 6)	61,859	64,030
Long-term debt - USDA #1 (Note 5)	3,017,641	3,095,106
Long-term debt - CoBank Construction Loan (Note 5)	<u>1,194,779</u>	<u>304,971</u>
<b>Total Long Term Liabilities</b>	<u>4,274,279</u>	<u>3,464,107</u>
<b>Total Liabilities</b>	<u>5,075,782</u>	<u>3,582,705</u>
<b>Net Assets</b>		
Unrestricted	<u>2,137,452</u>	<u>2,200,719</u>
<b>Total Net Assets</b>	<u>2,137,452</u>	<u>2,200,719</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 7,213,234</u>	<u>\$ 5,783,424</u>

The accompanying notes are an integral part of these statements.

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SQUAW VALLEY MUTUAL WATER COMPANY

Exhibit B

STATEMENTS OF ACTIVITIES  
AND CHANGES IN NET ASSETS  
For the Years Ended June 30, 2022 and 2021

CHANGES IN UNRESTRICTED NET ASSETS:

	2022	2021
Revenue and other support:		
Capital assessment	\$ 271,247	\$ 291,623
Water service dues	183,750	186,488
Water usage charge	36,852	39,341
Member late charges	3,682	3,268
Miscellaneous	6,761	5,979
Interest income	354	417
Total Revenue	<u>502,646</u>	<u>527,116</u>
Expenses		
Maintenance contract (Note 7)	92,733	89,640
Office contract	27,000	27,000
Utilities	21,822	19,530
Bad debt	9,359	2,310
Legal	6,659	6,554
General insurance	7,020	6,723
Water treatment	15,993	9,777
Accounting	8,895	8,592
Maintenance	-0-	1,006
Snow removal	1,800	1,300
Fees and licenses	4,508	3,374
General engineering	4,480	-0-
Printing and reproduction	2,794	970
Water testing	1,223	2,269
Postage and delivery	1,067	729
Minutes	2,248	2,011
Franchise tax provision (benefit)	(56)	(25)
Web page	1,323	604
Property tax	1,284	1,253
Membership dues	908	695
Bank charges	60	80
Office supplies	1,324	210
Loss on disposal of assets/inventory obsolescence	24,921	25,895
Depreciation	181,454	186,970
System repairs	24,305	12,438
Interest expense	117,714	120,084
Lateral rebate expense	269	835
Other	4,806	5,102
Total Expenses	<u>565,913</u>	<u>535,926</u>
Decrease in Net Assets	(63,267)	(8,810)
UNRESTRICTED NET ASSETS		
Beginning of Year	<u>2,200,719</u>	<u>2,209,529</u>
End of Year	<u>\$ 2,137,452</u>	<u>\$ 2,200,719</u>

The accompanying notes are an integral part of these statements.

SQUAW VALLEY MUTUAL WATER COMPANY

Exhibit C

STATEMENTS OF CASH FLOWS

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Decrease in Net Assets	\$ (63,267)	\$ (8,810)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	181,454	186,970
Loss on disposal of assets	24,921	25,895
Loss on disposal of intangible assets	-0-	5,102
Change in current assets other than cash	(3,377)	(3,151)
Change in current liabilities	11,341	(11,169)
Net Cash Provided (Used) by Operating Activities	<u>151,072</u>	<u>194,837</u>
Cash Flows from Investing Activities:		
Payments for construction in progress	(865,660)	(72,108)
Acquisition of plant, property and equipment	(6,554)	(335,348)
Net Cash Used by Investing Activities	<u>(872,214)</u>	<u>(335,348)</u>
Cash Flows from Financing Activities:		
Payments for retirement of long-term debt	(74,737)	(72,108)
Proceeds from issuance of long-term debt	889,808	304,971
Net Cash Provided by Financing Activities	<u>815,071</u>	<u>232,863</u>
Net Increase in Cash and Cash Equivalents	93,929	92,352
Cash and Cash Equivalents - Beginning of Year	<u>457,247</u>	<u>364,895</u>
Cash and Cash Equivalents - End of Year	<u>\$ 551,176</u>	<u>\$ 457,247</u>
Supplemental Information		
Interest paid	<u>\$ 117,714</u>	<u>\$ 120,083</u>
Non-Cash Investment Activities		
Acquisition of equipment through accounts payable	<u>\$ 666,935</u>	<u>\$ 8,310</u>

The accompanying notes are an integral part of these statements.

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# SQUAW VALLEY MUTUAL WATER COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

1. Form of Organization

Squaw Valley Mutual Water Company (the “Company”) operates as an incorporated non-profit mutual benefit water company on behalf of lot owners in the Squaw Valley Estates and Squaw Summit subdivisions. All lot owners may apply for a certificate of membership in the Company that may not be transferred except upon sale of the parcel. Non-payment of assessments results in forfeiture of the right to water service. Each lot owner holding a membership certificate is entitled to one vote. A significant portion of the Company’s revenue is derived from operating assessments and water service dues.

2. Summary of Significant Accounting Policies

- A. Members are subject to annual operating assessments and water service dues to provide funds for the Company’s operating expenses and major repairs and replacements. Accounts receivable at the balance sheet date represents primarily amounts due from service members. The Company’s policy includes, among other things, assessing a late charge on payments unpaid 30 days past their due date and discontinuing water service after a specified length of time. An allowance for doubtful accounts is created when an account’s collectability is uncertain. Accounts are written off when the Company is notified that it is a bad debt, such as after a bankruptcy or foreclosure proceedings.
- B. Inventory is valued at the lower of cost or market, with cost determined by the first-in, first-out method.
- C. Property and equipment of the Company includes wells, pumps, storage tanks, water mains, land easements and service boxes. Property and equipment are stated at cost at date of acquisition. Depreciation is recorded on the straight-line method over the expected useful lives of the assets, ranging from 4 to 50 years. The amount of net property and equipment considered available could be reduced in the near term if there is a reduction in the estimated useful life of the assets.
- D. The Company operates under tax exempt status from the Internal Revenue Service and the Franchise Tax Board. All activities related to the Company’s exempt purpose are operated on a tax-free basis. In general, the Company’s three previous federal tax returns and four previous state returns are available for examination by the taxing authorities.
- E. For purposes of reporting cash flows, cash and cash equivalents include demand deposits and money market accounts.



# SQUAW VALLEY MUTUAL WATER COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

- F. The carrying amounts of financial instruments, including cash, accounts receivable notes receivable, accounts payable and long-term debt approximate their fair value due to the short-term maturities of these instruments and/or terms that reflect current market conditions.
- G. The board designated cash and cash equivalents are intended for purchase of capital assets, replacement of existing capital assets or major maintenance of the water system.
- H. The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. Concentration of Credit Risk

The Company maintains demand accounts at a local bank. At June 30, 2022 and 2021, these accounts exceeded the federally insured limit by \$336,304 and \$143,541, respectively.

### 4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2022	2021
Easement	\$ 11,848	\$ 11,848
Buildings	17,632	17,632
Machinery and equipment	74,801	68,247
Water system improvements	6,637,432	6,637,432
	6,741,713	6,735,159
Less accumulated depreciation	(1,811,760)	(1,630,306)
Depreciable assets, net	4,929,953	5,104,853
Construction in progress	1,705,814	173,218
	\$ 6,635,767	\$ 5,278,071

### 5. Long Term Debt

#### *USDA #1 - Water System Improvement Project*

In October 2011, the Company was awarded a loan from the United States Department of Agriculture in the amount of \$3,979,180 for the purpose of improving the water system. The loan bears an interest rate of 3.75% to be paid in semi-annual installments over a period of 40 years and is collateralized by real property owned by the Company.

# SQUAW VALLEY MUTUAL WATER COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Future loan principal payments are scheduled as follows:

For the Year Ended June 30	Amount
2023	\$ 76,737
2024	79,665
2025	82,704
2026	85,859
2027	89,135
Thereafter	2,678,360
	<u>\$ 3,092,460</u>

The Company's borrowing agreement contains certain affirmative and negative covenants limiting certain transactions without prior written approval. The agreement also contains customary events of default, including payment defaults, breaches of representations and warranties and covenant defaults.

### *USDA Rural Development Project*

#### Interim financing:

During 2020, a promissory note was signed with CoBank for interim construction financing for the USDA Rural Development project for the purpose of replacing buried pipes, connections, electrical upgrades, paving work, and well rehabilitation, collateralized by real property owned by the Company. CoBank agrees to make loans to the Company from time to time during the period of May 12, 2020 through July 31, 2024 in aggregate principal amounts not to exceed \$4,223,660. CoBank will receive approval by the USDA prior to funding any amounts to the Company. The loan bears a variable interest rate of monthly LIBOR resetting weekly, plus 1.75%. As of June 30, 2022 and 2021, \$1,194,779 and \$304,971 was borrowed on the loan, respectively. No payments are currently due.

The Company's borrowing agreement for interim construction financing does not contain financial covenants; however, the agreement contains affirmative covenants and negative covenants limiting, among other things, additional indebtedness, transactions with affiliates, additional liens, transfers of assets, dividends and distributions, loans and advances, mergers and acquisitions and other matters customarily restricted in such agreements. The agreement also contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults and events of bankruptcy and insolvency.

#### USDA #2 Loan:

An agreement was also signed with the USDA stating that at the end of the construction period related to the USDA Rural Development Project, the USDA will repay the balance

# SQUAW VALLEY MUTUAL WATER COMPANY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

of the loan mentioned above, including interest, and a 40-year promissory note will begin at the lessor of the then interest rate or 3.5%.

### 6. Deferred Revenue

A small number of members chose to pay their entire portion of \$14,470 of the capital assessment that relates to the USDA loan repayment. At June 30, 2012, the Company recognized the portion billed in 2012 and deferred the remaining amount of \$85,734 which will be recognized over the life of the loan. The remaining deferred balance was \$64,030 and \$66,200 at June 30, 2022 and 2021, respectively.

The board approved replacing an old water main that would require owners to replace the water laterals from the street to their house. The Company will refund a partial credit to the owners' water bill for the expense. Only 35% of the owners' annual bill can be credited. As of June 30, 2022 and 2021, the deferred lateral rebate was \$-0- and \$269, respectively.

### 7. Maintenance Contract

During the year ended June 30, 2018, the Company entered into a five-year contract for the operation and maintenance of the Company's water system, in effect through June 30, 2022 and automatically renewing annually thereafter. The contract may be terminated upon written notice to the other party at least sixty days prior to the June 30 lapse. The Company is to pay a base monthly fee of \$6,916 per month (increasing annually by CPI) for the services performed with any additional services charged on a time and materials basis.

### 8. Capital Asset Improvement and Replacement Account

The board designated cash and cash equivalents are intended for purchase of capital assets, replacement of existing capital assets or major maintenance of the water system.

### 9. Commitments

During the year ending June 30, 2021, the Company entered into a contract for the 2021 water system improvements in the amount of \$1,456,654. As of June 30, 2021, no amount had been spent on this contract. During the year ending June 30, 2022, change orders were approved in the amount of \$669,451, bringing the total contract to \$2,126,105. The total amount remaining on the contract as of June 30, 2022 is approximately \$763,254.

During 2021, the Company signed a contract in the amount of \$689,835 for the USDA Rural Development Project. The total amount remaining on the contract at June 30, 2022 and 2021 is approximately \$327,000 and \$474,000, respectively.

SQUAW VALLEY MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

During 2021, the Company signed a contract in the amount of \$144,467 for well house maintenance. As of June 30, 2022, the full amount had been spent.

10. Subsequent Events

Subsequent events have been evaluated by management through January 19, 2023 the date that the statements were available for issuance.