

**WHITEHAWK RANCH  
MUTUAL WATER COMPANY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022**



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## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors  
Whitehawk Ranch Mutual Water Company  
Clio, California

We have reviewed the accompanying financial statements of Whitehawk Ranch Mutual Water Company, which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses and changes in operating fund balance 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 Association 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 the 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 the 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 Whitehawk Ranch Mutual Water Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's Conclusion of the Financial Statements**

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.

### **Supplementary Information**

The supplementary information included in the schedules of operating expenses, administrative expenses, and statement of reserve accounts is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the information and do not express an opinion on such information.

### **Required Supplementary Information**

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.



BODEN KLEIN & SNEESBY  
Certified Public Accountants  
Roseville, California

May 26, 2023

# WHITEHAWK RANCH MUTUAL WATER COMPANY

Balance Sheet  
December 31, 2022

## ASSETS

Operating funds:	
Plumas checking	\$ 208,406
Total operating funds	<u>208,406</u>
Replacement funds:	
Fidelity MMA	254,750
Plumas Bank MMA	100,672
Capital One Bank CD 3/24/25 2.1%	100,000
Wells Fargo Bank CD 4/29/24 4.5%	100,000
Goldman Sachs CD 3/23/23 1.0%	100,000
UBS Bank CD 7/8/24 3.3%	100,000
iShares Core US Agg Bond	69,203
Vanguard Intermediate Term Bond	<u>65,614</u>
Total replacement funds	<u>890,239</u>
Property and equipment:	
Equipment	275,861
Furniture and fixtures	8,661
Less accumulated depreciation	<u>(240,630)</u>
Total property and equipment, net	<u>43,892</u>
Other assets:	
Members' assessments receivable	489
Prepaid insurance	2,167
Accrued interest	1,629
Investments - valuation account	<u>(22,367)</u>
Total other assets	<u>(18,082)</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,124,455</u></b>

## LIABILITIES AND MEMBERS' EQUITY

Current liabilities:	
Accounts payable	\$ 5,487
Assessments paid in advance	36,066
Payroll tax liability	<u>5,905</u>
Total current liabilities	<u>47,458</u>
Members' equity:	
Common stock, 455 shares authorized, 266 shares issued and outstanding	538,000
Repair and replacement funds	1,099,844
Operating fund deficit	<u>(560,847)</u>
Total members' equity	<u>1,076,997</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u>\$ 1,124,455</u></b>

See accompanying notes and independent accountant's review report.

**WHITEHAWK RANCH MUTUAL WATER COMPANY**  
**Statement of Revenues, Expenses and Changes in Operating Fund Balance**  
**For the Year Ended December 31, 2022**

<b>Revenues:</b>	
Monthly dues	\$ 480,421
Contract service income	231,435
Other income	7,407
Interest and dividend income - reserves	11,690
Unrealized (loss) on investments	<u>(18,686)</u>
Total revenues	<u>712,267</u>
 <b>Transfer to reserves:</b>	
Allocated reserves	83,772
Interest reserves	<u>11,690</u>
Total transfer to reserves	<u>95,462</u>
 Available for operations	 <u>616,805</u>
 Operating expenses	 124,743
Administrative expenses	<u>483,987</u>
 Total operating and administrative expenses	 <u>608,730</u>
 <b>EXCESS OF REVENUES</b>	
OVER EXPENSES BEFORE DEPRECIATION	8,075
Depreciation	<u>615</u>
 <b>EXCESS OF REVENUES OVER EXPENSES</b>	 <b>7,460</b>
Operating fund deficit, beginning	<u>(568,307)</u>
<b>OPERATING FUND DEFICIT, ENDING</b>	<b><u>\$ (560,847)</u></b>

See accompanying notes and independent accountant's review report.

**WHITEHAWK RANCH MUTUAL WATER COMPANY**

## Statement of Cash Flows

For the Year Ended December 31, 2022

Cash flows from operating activities:	
Excess of revenues under expenses	\$ 7,460
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation	28,625
Unrealized gains	18,686
Changes in operating assets and liabilities:	
Members' assessments receivable	1,803
Prepaid insurance	(216)
Accrued interest	(1,585)
Accounts payable	2,024
Assessments paid in advance	(6,453)
Payroll tax liability	2,443
Total adjustments	45,327
Net cash provided by operating activities	52,787
Cash flows from investing activities:	
Purchases of furniture and fixtures	(4,028)
(Purchase) redemption of investments, net	(81,803)
Net cash used in investing activities	(85,831)
Cash flows from financing activities:	
Stock purchase	2,000
Reserve fund transfers	53,377
Net cash provided by financing activities	55,377
Net increase in cash	22,333
Cash, beginning of year	186,073
<b>CASH, END OF YEAR</b>	<b>\$ 208,406</b>

# WHITEHAWK RANCH MUTUAL WATER COMPANY

## Notes to Financial Statements

December 31, 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Organization -

Whitehawk Ranch Mutual Water Company was incorporated in August 1990, under the general nonprofit corporation law of the State of California. The specific and primary purpose for which this organization was formed is to operate, repair, maintain, and manage the common water distribution and waste collection at Whitehawk Ranch, located in Clio, California. The Mutual Water Company is supported by monthly assessments to its 269 individual homeowner units and 2 commercial units.

b. Fund accounting -

The Mutual Water Company's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Mutual Water Company maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for general operations of the Mutual Water Company.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

The Mutual Water Company uses the accrual method, when recording transactions. Revenue is recorded when earned, and expenses are recorded when the obligation is incurred.

c. Property and equipment -

Property and equipment that exceeds \$500 and has been acquired since that date and paid for with operating funds have been capitalized. Depreciation expense is computed using a straight-line method over the assets' useful lives ranging from 5 to 20 years.

During the years the Company was in its main development phase, the development companies of Whitehawk Ranch all agreed to pay for the original infrastructure of the common water distribution and waste collection plant. The value at that time for the infrastructure was approximately \$7,127,385. Management estimates that the current fair value of these assets is estimated to be approximately \$3,766,628.

d. Interest Income -

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

## WHITEHAWK RANCH MUTUAL WATER COMPANY

### Notes to Financial Statements

December 31, 2022

e. Member assessments -

Mutual Water Company members are subject to monthly assessments to provide funds for the Mutual Water Company's operating expenses, insurance expenses, future capital acquisitions, major repairs, and major replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Company's performance obligations are satisfied over time. Assessments receivable at the balance sheet date represent fees due from unit owners. The Company retains excess assessments at year-end for use in future years. Management believes all receivables are fully collectable and therefore, there is no allowance for doubtful accounts.

f. Income taxes -

Whitehawk Ranch Mutual Water Company is a non-profit mutual company that is exempt from federal income tax but is required to pay California State income tax on operating fund revenues. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. There was no impact on the Organization's financial statement.

The Organization files tax returns in the United States federal jurisdiction and in the state of California. The Organization's tax returns are generally open to examination for a period of three years for federal filings and four years for California filings.

g. Fair value measurements -

Asset and liabilities measured at fair value are recorded in accordance with ASC 820, *Fair Value Measurement and Disclosures*, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

h. Concentration of credit risk -

At times throughout the year, cash balances may exceed federally insured limits.

See independent accountant's review report.



**WHITEHAWK RANCH MUTUAL WATER COMPANY**  
Notes to Financial Statements  
December 31, 2022

i. Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - FUTURE MAJOR REPAIRS AND REPLACEMENTS:**

The Organization's governing documents require funds to be accumulated for future repairs and replacements. Accumulated cash is held in separate accounts and is generally not available for operating purposes.

The Organization is funding for such major repairs and replacements based on a study that contains estimates of current replacement costs and considers amounts previously accumulated. Actual expenditures, however, may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Organization has the right, subject to member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

**NOTE 3 - INVESTMENTS:**

The fair value and fair value hierarchy levels at December 31, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>
Fixed Income ETF's	<u>\$ 112,450</u>	<u>\$ 112,450</u>

Certificates of deposits are recorded at cost.

**NOTE 4 - INCOME TAXES:**

Income tax expense consists of California State Franchise tax of \$800.

**NOTE 5 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

For purposes of the statement of cash flows, total income taxes paid for the year ended December 31, 2022 were \$800. Additionally, the Organization defines cash as cash and certificates of deposits with maturities of one year or less.

**NOTE 6 - SUBSEQUENT EVENTS:**

Management has evaluated the potential for subsequent events through the available for issuance date of the financial statements, May 26, 2023.

**WHITEHAWK RANCH MUTUAL WATER COMPANY**

**Schedule of Operating Expenses**  
**For the Year Ended December 31, 2022**

Electricity	\$ 34,504
Equipment maintenance	30,343
Lab fees	13,406
Sludge removal	12,150
Permits and fees	11,348
System maintenance	6,893
Dumpster	6,002
Safety and health	4,129
Propane	3,040
Unscheduled expense	1,700
Snow removal	985
Meter material	338
Other utilities	297
Chemicals	<u>(392)</u>
<b>Total operating expenses</b>	<b><u>\$ 124,743</u></b>

**WHITEHAWK RANCH MUTUAL WATER COMPANY**

**Schedule of Administrative Expenses  
For the Year Ended December 31, 2022**

Personnel	\$ 365,111
Employee benefits	41,221
Payroll taxes	29,764
Workers' compensation	12,340
Insurance	9,442
Office supplies	8,390
Retirement plan expense	6,635
Telephone	4,274
Contracted labor	4,200
Taxes	1,473
Education	474
Subscriptions	465
Bank charges	<u>198</u>
<b>Total administrative expenses</b>	<b><u>\$ 483,987</u></b>

**WHITEHAWK RANCH MUTUAL WATER COMPANY****Statement of Reserve Accounts****For the Year Ended December 31, 2022**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Beginning Balance	\$ 1,046,466	\$ (254,992)	\$ 1,301,458
Revenues:			
Water Reserve	41,886	33,372	8,514
Sewer Reserve	41,886	50,400	(8,514)
Other fees received	11,000	15,000	(4,000)
Accumulated Interest	<u>11,691</u>	<u>3,500</u>	<u>8,191</u>
 Total revenues	 <u>106,463</u>	 <u>102,272</u>	 <u>4,191</u>
Expenses:			
Reserve (refund) expenses	25,075	-	(25,075)
Depreciation on capital equipment	<u>28,010</u>	<u>-</u>	<u>(28,010)</u>
 Total expenses	 <u>53,085</u>	 <u>-</u>	 <u>(53,085)</u>
 EXCESS OF REVENUES OVER EXPENSES	 <u>53,378</u>	 <u>102,272</u>	 <u>(48,894)</u>
 ENDING BALANCE	 <u>\$ 1,099,844</u>	 <u>\$ (152,720)</u>	 <u>\$ 1,252,564</u>

See independent accountant's review report.