

LASSEN PINES MUTUAL WATER CO., INC.

REVIEW REPORT AND FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDING, DECEMBER 31, 2020

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Governing Board of

Lassen Pines Mutual Water Co., Inc.

I have reviewed the accompanying financial statements of Lassen Pines Mutual Water Co., Inc. (a nonprofit mutual benefit corporation), which comprise the balance sheet as of December 31, 2020, and the related statements of income, retained earnings 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 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, I 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

My 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 me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion

Based on my review, I am 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.

Susan C. Lloyd

Susan C. Lloyd C.P.A.

Redding, CA

April 27, 2021

Lassen Pines Mutual Water Co., Inc.

Balance Sheet

As of December 31, 2020

ASSETS

Current Assets:

Cash & Cash Equivalents	\$	85,049
Accounts Receivable		26,965
Accounts Receivable - Judgment		18,816
Prepaid Expenses		10,008

Total Current Assets		<u>140,838</u>
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Fixed Assets

Buildings and Improvements		136,932
Equipment and Machinery		59,184
Vehicles		10,456
Water System		661,118
Accumulated Depreciation		(428,808)

Total Fixed Assets		<u>438,882</u>
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Total Assets	\$	<u>579,720</u>
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$	1,728
Payroll Liabilities Payable		6,482

Total Current Liabilities		<u>8,210</u>
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Long Term Liabilities

Deferred Revenue - Grants		275,184
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Total Liabilities		<u>283,394</u>
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Equity

Unrealized Judgment Income		18,816
Paid in Capital		317,182
Retained Earnings		(86,224)
Net Income		46,552

Total Equity		<u>296,326</u>
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Total Liabilities and Equity	\$	<u>579,720</u>
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Lassen Pines Mutual Water Co., Inc.
Income Statement
For the Twelve Months Ended, December 31, 2020

Revenues	
District Water Fees	\$ 226,502
Transfer Fees	1,400
Hook Up Fees	3,500
Delinquency Fees	3,817
Service and Repair Charges	564
Grant Revenue	177,090
Annual Easement	50
Total Revenue	<u>412,923</u>
Cost of Goods Sold	
Operator Salaries & Wages	89,854
Depreciation expense - System	20,481
Electric Expense	20,498
Lab Fees	2,235
System Maintenance & Supplies	15,068
SCADA Monitoring Data Plan	2,952
Cell Phone - Home Office	900
License & Permits	348
Generator Costs	931
Total COGS	<u>183,267</u>
Gross Profit	229,656
Expenses	
Administrative Salaries & Wages	17,606
Alarm Monitoring	85
Bank Fees	85
Gasoline & Motor Oil & Repairs	4,564
Grant Expenses	136,792
Insurance	16,927
Legal/Professional Fees	22,355
Miscellaneous Expense	350
Office Supplies	2,907
Outside Services Expense	2,045
Payroll Taxes	8,946
Postage and Delivery	2,111
Property Taxes	401
Rent Expense	440
Telephone Expense	1,171
Utilities - Garbage	300
Total Expenses	<u>217,085</u>
Net Ordinary Income	42,571
Other Income/Expense	
Other Income	
Realized Judgment Income	300
Miscellaneous Income	3,678
Interest Income	3
Total Other Income(Expense)	<u>3,981</u>
Net Income	<u><u>\$ 46,552</u></u>

The accompanying accountant's report and notes are an integral part of these financial statements. No assurance is provided.

Lassen Pines Mutual Water Co., Inc.
Statement of Retained Earnings
For the Twelve Months Ended, December 31, 2020

	<u>Retained Earnings</u>
Balance at December 31, 2019	\$ (86,224)
Net income for the year ended December 31, 2020	<u>46,552</u>
Balance at December 31, 2020	<u><u>\$ (39,672)</u></u>

The accompanying accountant's report and notes are an integral part of these financial statements. No assurance is provided.

Lassen Pines Mutual Water Co., Inc.
Statement of Cash Flows
For the Twelve Months Ended, December 31, 2020

OPERATING ACTIVITIES	
Net Income	\$ 46,552
Adjustments to reconcile Net Income to net cash provided by operations:	
Accounts Receivable	(18,298)
Depreciation	20,481
Accounts Payable	754
Pre Paid Expenses	-
Payroll Liabilities	(2,622)
Net cash provided by Operating Activities	<u>46,867</u>
INVESTING ACTIVITIES	
Investment Gain/Loss	-
Net cash provided by Investing Activities	<u>-</u>
FINANCING ACTIVITIES	
Deferred Revenue - Grants	(4,726)
Unrealized Judgment Income	(300)
Net cash provided by Financing Activities	<u>(5,026)</u>
Net cash increase for period	41,841
Cash at beginning of period	43,208
Cash at end of period	<u><u>\$ 85,049</u></u>
Income Tax Expense	-
Interest Expense	-
Capital Asset Expense	-

The accompanying accountant's report and notes are an integral part of these financial statements. No assurance is provided.

Lassen Pines Mutual Water Co., Inc.
Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Activities – Lassen Pines Mutual Water Co., Inc. (the Corporation) was incorporated in California, on August 16, 2010. The Corporation is a Non-profit Mutual Benefit Corporation serving the Lassen Pines community located in Northern California. The specific and primary purpose of this corporation is to develop, distribute, supply and deliver water for irrigation and domestic use to its members at actual cost, plus necessary expenses.

Cash and Cash Equivalents – The Corporation considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

Concentration of Credit Risk – The Corporation’s revenues are potentially exposed to the concentration of credit risk due to fluctuation in membership fees. The Corporation is confident that current members will continue to remit all fees when billed and management does not believe significant credit risk exists at December 31, 2020.

The Corporation’s accounts receivable are potentially exposed to concentration of credit risk since eight customers, at December 31, 2020 account for 98% of the total accounts receivable balance. However, the Corporation feels the credit risk is nominal as the corporation places liens when necessary. The Corporation received a judgment with the balance due of \$18,816 as of December 31, 2020. Regular payments of \$25 per month are being received per the court order.

The Corporation’s financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Corporation places its cash and temporary cash investments with high quality credit institutions. The Corporation believes that the credit risk is nominal.

Allowance for Doubtful Accounts – Management considers all receivables to be collectible, therefore, no allowance for doubtful accounts exists.

Prepaid Expenses – The Corporation prepays for insurance each renewal year. The policy renews each November. The prepaid insurance balance as of December 31, 2020 was \$ 9,016. The other prepaid expenses consist of \$192 in property taxes and \$800 in income tax which is from a prior year. Total prepaid as of December 31, 2020 was \$10,008.

Capital Improvement Fund – The Corporation has an Capital improvement account with Mechanic’s Bank. The balance as of December 31, 2020 was \$65,747.

Lassen Pines Mutual Water Co., Inc.
Notes to the Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Cost Recognition – The Corporation utilizes the accrual method of accounting. Revenues from fees are recognized when billed. Revenue is recognized when realization is probable and the amount can be reliably estimated.

Costs are expensed when incurred whether or not the cash has been paid. The expenses are matched with the related revenues when possible. Expenses with the cash not being paid out are listed under Accounts Payable. Payroll tax liabilities are listed under Payroll Liabilities payable.

Deferred Revenue - Deferred revenue is the remaining revenue received from grants in order to purchase capital assets. The related capital assets are being accounted for as assets and will be depreciated over the useful life those assets. Each year the deferred revenue will be reduced by the equal amount of the depreciation claimed on those related assets. During the fiscal year 2017, the total revenue received from grants equaled \$294,088. The earned revenue claimed from those grants in 2020 was \$4,726 which is the allowable depreciation for those related assets. The deferred revenue balance at December 31, 2020 was \$275,184. This amount will be earned and claimed as revenue over the useful life of the related assets purchased in fiscal year 2017.

Cost of Goods Sold – The Corporation designates certain expenses as direct expenses associated with the water service provided. The cost of goods sold area is where these expenses are listed. The total cost of goods for services provided in the 2020 fiscal year was \$ 153,267.

Buildings, Vehicles, Improvements & Equipment – Buildings, vehicles, improvements and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives. Maintenance and repairs are charged to expense as incurred whereas major betterments are capitalized. Depreciation expense for the year ended December 31, 2020 was \$20,481. It is allocated between direct costs and administrative expense based on the use of the assets. The district had no capital asset expenses for the fiscal year.

Fixed Assets as of December 31:	<u>2020</u>
Buildings & Improvements	\$136,932
Equipment & Machinery	59,184
Vehicles	10,456
Water System	661,118
Accumulated Depreciation	<u>(428,808)</u>
Total Net Fixed Assets:	\$ 438,882

Lassen Pines Mutual Water Co., Inc.
Notes to the Financial Statements

The Corporation uses the following for determining the useful life of the asset:

Equipment & Machinery	5, 7 or 10 years
Buildings & Improvements	27.5 to 31.5 years
Vehicles	5 years
Water System	5 to 67 years

Income Taxes – Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. The Corporation no income taxes during the fiscal year ending December 31, 2020.

Use of 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: GRANT INCOME: The Corporation received \$172,364 in grant income during the 2020 fiscal year. The grant expenses totaled \$136,792 during the fiscal year. The difference of \$35,572 reimbursed the Corporation for prior year grant expenses.

Note 3: SUBSEQUENT EVENTS:

As of April 27, 2021, management has reviewed the financial statements and are not aware of any events that have occurred subsequent to the balance sheet date and through the date of the accountant's report that would require adjustments to or disclosure in the financial statements. April 27, 2021 is the date in which the financial statements were available to be issued and the issuance date.