

OLYMPIC VALLEY MUTUAL WATER
COMPANY

Olympic Valley, California

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

June 30, 2023 and 2022

OLYMPIC VALLEY MUTUAL WATER COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Olympic Valley Mutual Water Company

Opinion

We have audited the accompanying financial statements of Olympic Valley Mutual Water Company, which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years 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 Olympic Valley Mutual Water Company as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years 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 Olympic 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 Olympic 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 Olympic 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 Olympic 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
December 20, 2023

OLYMPIC VALLEY MUTUAL WATER COMPANY

Exhibit A

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 221,104	\$ 152,007
Cash and cash equivalents (Capital Asset Improvements and Replacements, Note 8)	244,299	206,101
Cash and cash equivalents (Restricted for USDA #1, Note 5)	193,512	193,067
Regular assessments receivable, net allowance for doubtful accounts of \$-0- in 2023 and \$21,727 in 2022	27,805	16,015
Prepaid expenses	1,590	1,590
Supplies inventory	<u>-0-</u>	<u>7,686</u>
Total Current Assets	<u>688,310</u>	<u>576,467</u>
Long Term Assets		
Investment in CoBank	1,000	1,000
Property and equipment:		
Depreciable assets	7,551,577	6,741,713
Less: accumulated depreciation	<u>(1,187,518)</u>	<u>(1,811,760)</u>
	6,364,059	4,929,953
Construction in progress	<u>1,548,229</u>	<u>1,705,814</u>
Property and equipment - net (Note 4)	<u>7,912,288</u>	<u>6,635,767</u>
Total Long Term Assets	<u>7,913,288</u>	<u>6,636,767</u>
Total Assets	<u>\$ 8,601,598</u>	<u>\$ 7,213,234</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 103,462	\$ 402,049
Accrued liabilities	44,372	320,033
Deferred interest earned	2,431	2,431
Deferred revenue	8,762	-0-
Current portion of deferred capital assessment revenue (Note 6)	2,171	2,171
Current portion of long-term debt (Note 5)	<u>77,651</u>	<u>74,819</u>
Total Current Liabilities	<u>238,849</u>	<u>801,503</u>
Long Term Liabilities		
Long-term deferred capital assessment revenue (Note 6)	59,689	61,859
Long-term debt - USDA #1 (Note 5)	2,937,157	3,017,641
Long-term debt - CoBank Construction Loan (Note 5)	<u>3,527,233</u>	<u>1,194,779</u>
Total Long Term Liabilities	<u>6,524,079</u>	<u>4,274,279</u>
Total Liabilities	<u>6,762,928</u>	<u>5,075,782</u>
Net Assets	<u>1,838,670</u>	<u>2,137,452</u>
Total Net Assets	<u>1,838,670</u>	<u>2,137,452</u>
Total Liabilities and Net Assets	<u>\$ 8,601,598</u>	<u>\$ 7,213,234</u>

The accompanying notes are an integral part of these statements.

OLYMPIC VALLEY MUTUAL WATER COMPANY

Exhibit B

STATEMENTS OF ACTIVITIES
AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2023 and 2022

CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue and other support:	2023	2022
Capital assessment	\$ 270,102	\$ 271,247
Water service dues	285,316	183,750
Water usage charge	76,302	36,852
Member late charges	5,542	3,682
Miscellaneous	6,482	6,761
Interest income	12,880	354
Total Revenue	<u>656,624</u>	<u>502,646</u>
Expenses		
General and administration		
Accounting and office management		
Office contract	36,301	27,000
Accounting	10,880	8,895
Office supplies and other	591	8,643
Secretary and elections	1,917	2,248
Total accounting and office management	<u>49,689</u>	<u>46,785</u>
Bank charges	8,057	60
Depreciation	190,872	181,454
Licenses, permits, and taxes	5,992	4,508
General insurance	8,209	7,020
Interest expense	114,781	117,983
Legal	4,306	6,659
Bad debt expense (recovery)	(21,304)	9,359
Loss on disposal of assets/inventory obsolescence	226,709	24,921
Miscellaneous	30	4,807
Utilities	19,806	18,450
Water system operations and maintenance		
Maintenance contract	276,607	92,733
Other repairs, maintenance and supplies	33,320	19,065
Engineering	3,330	4,480
Monitoring and metering	9,897	3,372
Water testing and treatment	18,955	22,456
Snow removal	6,150	1,800
	<u>348,259</u>	<u>143,906</u>
Total Expenses	955,406	565,912
Decrease in Net Assets	(298,782)	(63,267)
UNRESTRICTED NET ASSETS		
Beginning of Year	<u>2,137,452</u>	<u>2,200,719</u>
End of Year	<u>\$ 1,838,670</u>	<u>\$ 2,137,452</u>

The accompanying notes are an integral part of these statements.

OLYMPIC VALLEY MUTUAL WATER COMPANY

Exhibit C

STATEMENTS OF CASH FLOWS

June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities:		
Decrease in Net Assets	\$ (298,782)	\$ (63,267)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	190,872	181,454
Loss on disposal of assets/inventory obsolescence	226,709	24,921
Bad debt expense (recovery)	21,304	-0-
Change in current assets other than cash	(25,412)	(3,377)
Change in current liabilities	(565,321)	11,341
Net Cash Provided (Used) by Operating Activities	<u>(450,630)</u>	<u>151,072</u>
Cash Flows from Investing Activities:		
Payments for construction in progress	-0-	(865,660)
Acquisition of plant, property and equipment	(1,696,434)	(6,554)
Net Cash Used by Investing Activities	<u>(1,696,434)</u>	<u>(872,214)</u>
Cash Flows from Financing Activities:		
Payments for retirement of long-term debt	(77,651)	(74,737)
Proceeds from issuance of long-term debt	2,332,454	889,808
Net Cash Provided by Financing Activities	<u>2,254,803</u>	<u>815,071</u>
Net Increase in Cash and Cash Equivalents	107,739	93,929
Cash and Cash Equivalents - Beginning of Year	<u>551,176</u>	<u>457,247</u>
Cash and Cash Equivalents - End of Year	<u>\$ 658,915</u>	<u>\$ 551,176</u>
Analysis of Cash and Cash Equivalents		
Cash and cash equivalents	221,104	152,007
Cash and cash equivalents (Capital Asset Improvements and replacements (Note 8))	244,299	206,101
	<u>\$ 465,402</u>	<u>\$ 358,109</u>
Supplemental Information		
Interest paid	<u>\$ 270,953</u>	<u>\$ 123,607</u>
Non-Cash Investment Activities		
Acquisition of equipment through accounts payable	<u>\$ 3,838</u>	<u>\$ 666,935</u>

The accompanying notes are an integral part of these statements.

OLYMPIC VALLEY MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

1. Form of Organization

Squaw Valley Mutual Water Company, dba Olympic Valley Mutual Water Company (the “Company”) operates as an incorporated non-profit mutual benefit water company on behalf of lot owners in the Olympic 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.

OLYMPIC VALLEY MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

- 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.
- I. Certain amounts in the 2022 financial statements have been reclassified to conform to the presentation in the 2023 financial statements. The reclassifications have no impact on the financial position or results of operations for 2022.

3. Concentration of Credit Risk

The Company maintains demand accounts at a local bank. At June 30, 2023 and 2022, these accounts exceeded the federally insured limit by \$408,914 and \$336,304, respectively.

4. Property and Equipment

Property and equipment consisted of the following at June 30:

	2023	2022
Easement	\$ 11,848	\$ 11,848
Buildings	17,632	17,632
Machinery and equipment	72,042	74,801
Water system improvements	7,450,055	6,637,432
	<u>7,551,577</u>	<u>6,741,713</u>
Less accumulated depreciation	(1,187,518)	(1,811,760)
Depreciable assets, net	<u>6,364,059</u>	<u>4,929,953</u>
Construction in progress	1,548,229	1,705,814
	<u>\$ 7,912,288</u>	<u>\$ 6,635,767</u>

OLYMPIC VALLEY MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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.

Future loan principal payments are scheduled as follows:

For the Year Ended June 30	Amount
2024	\$ 77,651
2025	82,704
2026	85,859
2027	89,135
2028	92,535
Thereafter	2,586,924
	<u>\$ 3,014,808</u>

The Company's borrowing agreement requires the Company to maintain a minimum reserve cash balance in the amount of \$192,911. With prior written approval, these funds may be used for items including, but not limited to, loan installments, emergency maintenance, extensions to facilities, and replacement of short-lived assets.

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, increased to \$4,946,712 during the year ended June 30, 2023. 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, 2023 and 2022, \$3,527,233 and \$1,194,779 was borrowed on the loan, respectively. No payments are currently due.

OLYMPIC VALLEY MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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 and #3 Loan:

A loan and subsequent additional loan were 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 of the loan mentioned above, including interest, and a 40-year promissory note will begin at the lesser 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 \$61,860 and \$64,030 at June 30, 2023 and 2022, 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. This contract was terminated as of June 30, 2022.

During the year ended June 30, 2023, the Company entered into a three-year contract for on-going support and technical water operation services. The Company will be billed on a time and materials basis. As of June 30, 2023, \$276,607 was spent on this contract.

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.

OLYMPIC VALLEY MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

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. During the years ending June 30, 2023 and 2022, change orders were approved in the amount of \$1,351,724, bringing the total contract to \$2,808,378. The total amount remaining on the contract as of June 30, 2023 is approximately \$63,000.

During 2021, the Company signed a contract in the amount of \$689,835 for the USDA Rural Development Project. During the years ending June 30, 2023 and 2022, change orders were approved in the amount of \$134,400, bringing the total contract to \$824,235. The total amount remaining on the contract at June 30, 2023 is approximately \$330,000.

10. Subsequent Events

Subsequent events have been evaluated by management through December 20, 2023 the date that the statements were available for issuance.