

DIAMOND A MUTUAL WATER COMPANY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2020

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Shareholders of
Diamond A Mutual Water Company
Sonoma, California

We have reviewed the accompanying financial statements of Diamond A Mutual Water Company (a corporation), which comprise the balance sheet as of December 31, 2020, and the related statements of income and 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, 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.

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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Diamond A Mutual Water Company's reviewed financial statements for the year ended December 31, 2019, and, in our review report dated March 5, 2020, we were not aware of any material modifications that should be made on those financial statements.

Goranson and Associates, Inc.

February 25, 2021
Santa Rosa, California



Goranson and Associates, Inc.

717 College Avenue, First Floor, Santa Rosa, CA 95404 Phone: 707/542-1256 Fax 707/978-3090

DIAMOND A MUTUAL WATER COMPANY
BALANCE SHEET
DECEMBER 31, 2020
(With summarized comparative totals for December 31, 2019)
See Independent Accountant's Review Report

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 178,397	\$ 127,381
Accounts receivable	5,142	920
Total current assets	183,539	128,301
Fixed assets:		
Building, land and improvements	1,877,781	1,842,148
Less accumulated depreciation	(1,296,396)	(1,195,454)
Net fixed assets	581,385	646,694
Total assets	\$ 764,924	\$ 774,995
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable-current portion	\$ 53,714	\$ 51,213
Long-term liabilities:		
Notes payable	17,376	71,316
Total liabilities	71,090	122,529
Equity		
Common stock	214	214
Additional paid in capital	2,132,722	1,973,401
Retained earnings	(1,439,102)	(1,321,149)
Total net assets	693,834	652,466
Total liabilities and equity	\$ 764,924	\$ 774,995

The accompanying notes are an integral part of these financial statements

DIAMOND A MUTUAL WATER COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

(With summarized comparative totals for the year ended December 31, 2019)

See Independent Accountant's Review Report

	<u>2020</u>	<u>2019</u>
REVENUE:		
Water sales and service	\$ 177,093	\$ 117,380
Interest Income	64	61
Total revenue	<u>177,157</u>	<u>117,441</u>
EXPENSES:		
Finance manager	16,800	16,800
Operations manager	13,200	12,000
Taxes and fees	4,590	7,506
Professional services	6,896	5,805
Depreciation	100,942	96,693
Utilities	43,566	36,900
Interest expense	4,281	6,624
Insurance	8,049	8,327
Water analysis and health	6,592	3,927
Repair and maintenance	61,048	75,225
Office expense	7,530	1,500
Monthly service expenses	21,616	19,287
Total operating expenses	<u>295,110</u>	<u>290,594</u>
Net income (loss)	(117,953)	(173,153)
RETAINED EARNINGS, beginning	<u>(1,321,149)</u>	<u>(1,147,996)</u>
RETAINED EARNINGS, ending	<u>\$ (1,439,102)</u>	<u>\$ (1,321,149)</u>

The accompanying notes are an integral part of these financial statements

DIAMOND A MUTUAL WATER COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative totals for the year ended December 31, 2019)
See Independent Accountant's Review Report

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (117,953)	(173,153)
Adjustments to reconcile change in net income to cash from operations		
Depreciation	100,942	96,693
(Increase) decrease in:		
Accounts and grants receivable	(4,222)	1,444
Prepaid expenses and deposits	-	800
Total cash provided (used) by operations	<u>(21,233)</u>	<u>(74,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales proceeds from sale of investment		
Purchase of property and equipment	<u>(35,633)</u>	<u>(42,210)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments to notes payable	(51,439)	(70,821)
Additional paid in capital	<u>159,321</u>	<u>168,027</u>
Total cash provided by investing activities	<u>107,882</u>	<u>97,206</u>
NET CHANGE IN CASH	51,016	(19,220)
CASH, beginning of year	<u>127,381</u>	<u>146,601</u>
CASH, end of year	<u>\$ 178,397</u>	<u>\$ 127,381</u>
Supplemental information:		
Income taxes	<u>\$ 800</u>	<u>\$ 800</u>
Interest	<u>\$ 4,281</u>	<u>\$ 6,624</u>

The accompanying notes are an integral part of these financial statements

DIAMOND A MUTUAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 ORGANIZATION

Diamond A Mutual Water Company (Company) is a corporation that supplies water to 189 residences located on land formerly known as the Anderson Ranch. As a mutual water company, for the Diamond A Subdivision, each lot was originally issued one share in the company, in the form of a water certificate. Seven Board of Directors, who are elected for two-year terms, govern the company. The company operates four wells. The system's pumping capacity is approximately two times the average usage rate during the peak summer period. The 340,000-gallon storage capacity of the four tanks is equal to the daily average usage during the warmest summer days. The Company has installed and maintains 35 class A fire hydrants and 2 class B fire hydrants. In addition, the Company maintains a 50,000-gallon fire-fighting reserve at all times.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Company have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash Equivalents - For purposes of the statement of cash flows, the Company considers all funds with a maturity of three months or less to be cash equivalents.

Trade Accounts Receivable - Trade accounts receivable are reported at the amount management expects to collect from outstanding balances. All amounts are deemed to be collectible at December 31, 2020.

Intangible Assets - Intangible assets (trademarks) subject to amortization include in-force leasehold costs, which are being amortized on a straight-line basis over three years.

Property and Equipment - Property and equipment are stated at cost. Depreciation is calculated using straight-line over the assets' estimated useful lives. Estimated useful lives for vehicles are five to seven years, for equipment is five to ten years, for furniture and fixtures is five to seven years, and for leasehold improvements is ten to thirty nine years.

DIAMOND A MUTUAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Presentation of Sales Taxes - The State of California imposes a sales tax on all of the Company's sales to nonexempt customers. The Company collects that sales tax from customers and remits the entire amount to the State. The Company's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Revenue Recognition – The Company recognizes income as earned.

S Corporation-Income Tax Status - The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporate income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Advertising - The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

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, 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. Significant estimates in these financial statements include the balance sheet amounts for costs and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings in uncompleted contracts. It is reasonably possible for these estimates to change in the near term or for actual results to differ from these estimates.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Summarized Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

DIAMOND A MUTUAL WATER COMPANY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 NOTES PAYABLE

The Company has a note payable with West America bank. The loan originated June 2017 and matures May 2022. Interest is 4.25 percent. The balance at December 31, 2020 is \$71,090. Future minimum payments are as follows:

2021	\$ 51,213
2022	<u>19,877</u>
Total	<u>\$ 71,090</u>

NOTE 4 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through February 25, 2021, the date the financial statements were available to be issued. In January 2020, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state and local governments and private entities mandating various restrictions. This could have a material effect on the Company's operations, financial position, and cash flows.