

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

FINANCIAL STATEMENTS

Year Ended
December 31, 2021

Krikorian & Company
Accountancy Corporation

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Stockholders
Musick Meadows Mutual Water Co. #2, Inc.
Shaver Lake, California

We have reviewed the accompanying financial statements of Musick Meadows Mutual Water Co. #2, Inc., which comprise the balance sheet as of December 31, 2021, 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 Company 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 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 report.

We are required to be independent of Musick Meadows Mutual Water Co. #2, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our

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.

Supplementary Information

The accompanying supplementary information included on page 11 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 supplementary information and do not express an opinion on such information.

Krikerian & Company Accountancy Corporation

Fresno, California
May 27, 2022

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

BALANCE SHEETS

December 31,	2021
ASSETS	
Current assets	
Cash and cash equivalents	\$ 82,220
Certificate of deposit	136,083
Total current assets	218,303
Property and equipment	
Property and equipment, at cost	429,111
Accumulated depreciation	(180,471)
Property and equipment, net	248,640
Total assets	\$ 466,943
LIABILITIES AND STOCKHOLDERS' EQUITY	
Other liabilities	
Other liabilities	\$ 5,905
Total liabilities	5,905
Stockholders' equity	
Common stock, \$100 par value, 83 shares issued and outstanding	8,300
Retained earnings	452,738
Total stockholders' equity	461,038
Total liabilities and stockholders' equity	\$ 466,943

See accompanying notes and independent accountant's review report

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

Year Ended December 31,	2021
Revenue	
Annual assessments	\$ 59,605
Capital assessments	7,290
Total revenue	66,895
Operating expenses	
Accounting	6,000
Fees and taxes	927
Insurance	4,089
Maintenance - repairs	9,390
Office expense	4,326
Office supplies	1,936
Snow removal	23,263
Utilities	3,342
Water master	9,270
Water testing	3,081
Rent	516
Depreciation and amortization	20,742
Total operating expenses	86,882
Income from operations	(19,987)
Other income (expense)	
Interest income	20
Transfer fees	800
Other income	6,345
Total other income	7,165
Income before income taxes	(12,822)
Income tax expense	800
Net income (loss)	(13,622)
Retained earnings at beginning of year	466,360
Retained earnings at end of year	\$ 452,738

See accompanying notes and independent accountant's review report

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

STATEMENTS OF CASH FLOWS

Year Ended December 31,

2021

OPERATING ACTIVITIES

Net loss	\$	(13,622)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation		20,742
Change in operating assets and liabilities:		
Accounts payable		(2,918)
Other liabilities		(875)
Net cash provided by operating activities		3,327

INVESTING ACTIVITIES

Purchase of certificates of deposit, net		(7,333)
Net cash used by investing activities		(7,333)
Net increase (decrease) in cash		(4,006)
Cash and cash equivalents at beginning of year		86,226
Cash and cash equivalents at end of year	\$	82,220

See accompanying notes and independent accountant's review report

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

NOTES TO FINANCIAL STATEMENTS

The Company

Musick Meadows Mutual Water Co. #2, Inc., (the "Company"), operates as an incorporated mutual benefit water company on behalf of lot owners in the Musick Meadows subdivision (the "Subdivision"). The Subdivision consists of 83 lots, of which 2 lots have been combined; therefore, only 81 lots are assessed annually. All lot owners may apply for a certificate of membership in the Company that may not be transferred except upon sale of the parcel. Nonpayment 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 assessments.

Significant Accounting Policies

Basis of accounting

These financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 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.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Company has cash balances on deposit which at times may exceed the balance insured with the FDIC. The Company has not experienced any losses on those deposits and believes it is not exposed to any significant credit risk.

Certificates of deposit

In 2019, the Company adopted a Capital Replacement Plan and transferred the certificates of deposit previously raised for capital purposes from a savings account to a capital replacement investment account. The balance in this account has been restricted by the lot owners to only be used toward capital replacements and improvements of the Company and have assessed an additional annual capital assessment for this purpose. At December 31, 2021, the balance in this account was \$136,083.

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

NOTES TO FINANCIAL STATEMENTS

Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs, including planned major maintenance activities, are charged to expense as incurred. Gains and losses on dispositions are included in current operations. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from 5 to 25 years.

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment losses were recognized during the year ended December 31, 2021.

Revenue Recognition

The Company's revenue is derived from assessments for the right of use of the water supply. Revenue from the annual assessments is recognized on a monthly basis as earned over the life of the assessment.

New accounting pronouncement

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, and subsequently issued related ASUs, which requires lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee's right to use, or control the use of the given asset assumed under the lease. The standard will be effective for nonpublic business entities for the calendar year ending December 31, 2022. Early adoption is permitted. The Company is currently evaluating this new standard and the impact it will have on its financial statements.

Contingencies, Risks, and Uncertainties

In March 2020, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The Company's operations are in California, which has restricted gatherings of people due to the coronavirus outbreak. Given the dynamic nature of these circumstances and business disruption, the Company anticipates a significant short-term impact. The company will continue to monitor the situation closely, but given the uncertainty of the situation, an estimate of the impact to the financial statements cannot be made at this time.

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.

NOTES TO FINANCIAL STATEMENTS

Property and equipment

Property and equipment, net consisted of the following:

December 31,	2021
Land	\$ 1,169
Water plant and related equipment	374,340
Improvements	53,602
Total cost	429,111
Less: accumulated depreciation	(180,471)
Property and equipment, net	\$ 248,640

Depreciation expense for the year ended December 31, 2021 was \$20,742.

Income Taxes

The Company is taxed on their gross income, excluding exempt function income, such as interest earnings, at federal and state corporate rates. For the year ended December 31, 2021, the provision for income taxes was \$800.

Subsequent Events

Management has evaluated subsequent events through May 27, 2022, the date on which the financial statements were available to be issued. The Company did not have any subsequent events requiring recording or disclosure for the year ended December 31, 2021.

MUSICK MEADOWS MUTUAL WATER CO. #2, INC.**BUDGET TO ACTUAL - REVENUES AND EXPENSES**

Year Ended December 31, 2021	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Annual assessments	\$ 59,505	\$ 59,605	\$ 100
Capital assessments	7,290	7,290	-
Other income	945	7,165	6,220
Total revenue	67,740	74,060	6,320
Operating Expenses			
Accounting	6,500	6,000	(500)
Fees and taxes	4,415	1,727	(2,688)
Insurance	3,889	4,089	200
Maintenance - repairs	10,100	9,390	(710)
Office expense	4,326	4,326	-
Office supplies	2,165	1,936	(229)
Snow removal	18,000	23,263	5,263
Utilities	3,200	3,342	142
Water master	9,270	9,270	-
Water testing	5,836	3,081	(2,755)
Rent	600	516	(84)
Depreciation and amortization	21,740	20,742	(998)
Total operating expenses	90,041	87,682	(2,359)
Net income (loss)	\$ (22,301)	\$ (13,622)	\$ 8,679

See accompanying notes and independent accountant's review report