

A close-up photograph of water flowing from a metal faucet. The water is clear and forms several distinct streams. The background is a soft-focus field of bright yellow flowers, likely California poppies, under a clear sky. The entire image is framed by a thin white border.

North Fork Water Company

A CALIFORNIA CORPORATION

HIGHLAND, CALIFORNIA

FINANCIAL STATEMENTS

for years ending
January 31, 2018 and January 31, 2017

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North Fork Water Company
(A California Corporation)
Organization Data
January 31, 2018 and 2017

DATE AND STATE OF INCORPORATION

1885 - California

DURATION OF CHARTER

Perpetual Existence

NATURE OF BUSINESS

Water Company Located in Highland, California

DATE OF EXEMPTION LETTER

September 13, 1964

OFFICERS

Ronald Coats
Christopher Carrillo
Brian Tompkins
Justine Hendricksen

President
Vice President
Treasurer
Secretary

DIRECTORS

Charles Kiel
Ronald Coats
James Morales, Jr.
Margaret Wright

Vacant
Christopher Carrillo
David Smith

MANAGER

Under Agreement with East Valley Water District



CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
North Fork Water Company
Highland, California

We have reviewed the accompanying financial statements of North Fork Water Company (a California corporation), which comprise the statement of financial position as of January 31, 2018, and the related statements of activities, changes in shareholders' equity, 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 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.



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Accountants' Conclusion

Based on our review, except for the issue noted in the Known Departure from Accounting Principles Generally Accepted in the United States of America, 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.

Known Departure from Accounting Principles Generally Accepted in the United States of America

As disclosed in Note 3 to the financial statements, accounting principles generally accepted in the United States of America require that governmental entities follow the reporting requirements of the Governmental Accounting Standards Board. The accompanying financial statements have been prepared in accordance with the reporting requirements of the Financial Accounting Standards Board (FASB). The effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows have not been determined.

Supplementary Information

The Supplementary Information included in Schedules I, II and III 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.

Report on 2017 Financial Statements

The financial statements of North Fork Water Company as of January 31, 2017, were reviewed by other accountants whose report dated March 15, 2017, stated that based on their procedures, except for the issue noted in the Known Departure from Accounting Principles Generally Accepted in the United States of America in their report, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Glendora, California
March 20, 2018

North Fork Water Company
(A California Corporation)
Statements of Financial Position
January 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash	\$ 121,853	\$ 160,084
Cash - Restricted for Capital Projects	180,878	218,866
Prepaid Expenses	15,911	15,747
Receivables		
Assessments	2,064	1,911
Total Current Assets	320,706	396,608
 Property, Plant, and Equipment		
Improvements - Fencing	2,840	2,840
Pipelines and Valves	2,857,411	2,797,998
Construction In Progress	5,281	41,306
Less: Accumulated Depreciation	(574,601)	(518,764)
Total Property, Plant, and Equipment	2,290,931	2,323,380
 Other Assets		
Water Rights - January 31, 1952	655,611	655,611
Total Other Assets	655,611	655,611
 Total Assets	 \$ 3,267,248	 \$ 3,375,599
 LIABILITIES AND SHAREHOLDERS' EQUITY		
 Current Liabilities		
Accounts Payable	\$ 12,340	\$ 49,810
Total Current Liabilities	12,340	49,810
 Shareholders' Equity		
Capital Stock Authorized 7,200 Shares - 7,156 Issued and Outstanding at \$100 Stated Value	715,600	715,600
Additional Paid-In Capital	502,574	514,600
Contributed Capital	1,570,616	1,608,462
Retained Earnings	466,118	487,127
Total Shareholders' Equity	3,254,908	3,325,789
 Total Liabilities and Shareholders' Equity	 \$ 3,267,248	 \$ 3,375,599

See accompanying notes and Independent Accountants' Review Report.

North Fork Water Company
(A California Corporation)
Statements of Activities
January 31, 2018 and 2017

	2018	2017
Revenues		
Water Sales	\$ -	\$ -
Expenses		
Repairs and Maintenance		
Labor and Equipment	14,584	19,676
Contracted	7,800	8,150
Administration	16,467	9,158
Accounting Fees	2,200	2,200
Other Professional Services	51,489	-
Legal	53,000	83,637
Materials and Supplies	844	357
Property Taxes	27,977	28,326
Insurance	4,471	4,060
Depreciation	55,837	54,649
Total Expenses	234,669	210,213
Loss from Operations	(234,669)	(210,213)
Other Income		
Interest	-	-
Total Other Income	-	-
Excess of Expenses over Revenues before Provision for Income Taxes	(234,669)	(210,213)
Provision for Income Taxes		
State Income Taxes	800	800
Excess of Expenses over Revenues before Contributions	(235,469)	(211,013)
Contributions		
Shareholder Assessments - Operating	164,588	178,900
Shareholder Assessments - Capital	-	128,808
Change in Equity	\$ (70,881)	\$ 96,695

See accompanying notes and Independent Accountants' Review Report.

North Fork Water Company
(A California Corporation)
Statements of Changes in Shareholders' Equity
January 31, 2018 and 2017

January 31, 2018

	<u>Common Stock Issued and Outstanding</u>	<u>Additional Paid-in Capital</u>	<u>Contributed Capital</u>	<u>Cumulative Excess of Revenue Over Expenses</u>	<u>Total Shareholders' Equity</u>
Balance, January 31, 2017	\$ 715,600	\$ 514,600	\$ 1,608,462	\$ 487,127	\$ 3,325,789
Shareholder Assessments				164,588	164,588
Excess of Expenses Over Revenues				(235,469)	(235,469)
Allocate Depreciation		(12,026)	(37,846)	49,872	-
Balance, January 31, 2018	<u>\$ 715,600</u>	<u>\$ 502,574</u>	<u>\$ 1,570,616</u>	<u>\$ 466,118</u>	<u>\$ 3,254,908</u>

January 31, 2017

	<u>Common Stock Issued and Outstanding</u>	<u>Additional Paid-in Capital</u>	<u>Contributed Capital</u>	<u>Cumulative Excess of Revenue Over Expenses</u>	<u>Total Shareholders' Equity</u>
Balance, January 31, 2016	\$ 715,600	\$ 526,626	\$ 1,646,308	\$ 340,560	\$ 3,229,094
Shareholder Assessments				307,708	307,708
Excess of Expenses Over Revenues				(211,013)	(211,013)
Allocate Depreciation		(12,026)	(37,846)	49,872	-
Balance, January 31, 2017	<u>\$ 715,600</u>	<u>\$ 514,600</u>	<u>\$ 1,608,462</u>	<u>\$ 487,127</u>	<u>\$ 3,325,789</u>

See accompanying notes and Independent Accountants' Review Report.

North Fork Water Company
(A California Corporation)
Statements of Cash Flows
January 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash Paid for Services and Materials	\$ (216,466)	\$ (122,116)
Income Taxes Paid	(800)	(800)
Net Cash used by Operating Activities	(217,266)	(122,916)
Cash Flows from Financing Activities		
Contributions from Shareholders to Pay Suppliers	164,435	307,591
Net Cash Provided by Financing Activities	164,435	307,591
Cash Flows from Investing Activities		
Acquisition and Construction of Assets	(23,388)	(30,743)
Net Cash used for Investing Activities	(23,388)	(30,743)
Net Increase in Cash	(76,219)	153,932
Cash, Beginning of Year	378,950	225,018
Cash, End of Year	\$ 302,731	\$ 378,950
Reconciliation of Excess of Expenses over Revenues to Net Cash Used By Operating Activities		
Excess of Revenue over (under) Expenses	\$ (235,469)	\$ (211,013)
Adjustments:		
Depreciation	55,837	54,649
(Increase) Decrease in:		
Prepaid Expenses	(164)	209
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(37,470)	33,239
Net Cash used by Operating Activities	\$ (217,266)	\$ (122,916)

See accompanying notes and Independent Accountants' Review Report.

North Fork Water Company
(A California Corporation)
Notes to Financial Statements
January 31, 2018 and 2017

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

North Fork Water Company (the Company) is a mutual water company. The Company's primary purpose is to secure surface water from the Santa Ana River and other available sources for delivery to its shareholders in accordance with its delivery schedules and rules and regulations.

Capitalization Policy

The Company's capitalization basis is cost if assets are purchased or constructed and fair value if assets are contributed.

Depreciation of Plant and Equipment

The carrying values of plant and equipment are depreciated over the estimated useful lives of the assets using the straight-line method.

Provision for Income Taxes

The Company is exempt from federal income taxes under Section 501(c)(12) of the Internal Revenue Code. Therefore, no provision for federal income taxes is reflected in the financial statements.

State franchise tax is computed at the current corporate rate. For the fiscal years ended January 31, 2018 and 2017 state franchise taxes were \$800.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

North Fork Water Company
(A California Corporation)
Notes to Financial Statements
January 31, 2018 and 2017

Cash and Cash Equivalents

For purposes of the statement of cash flows, the North Fork Water Company considers cash and cash equivalents as short term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents have an original maturity date of three months or less from the date of purchase.

As of January 31, 2018, the Company had \$50,730 deposited with financial institutions that were in excess of federal depository insurance limits. The federal deposit insurance limit is \$250,000.

NOTE 2 - RELATED PARTY TRANSACTIONS

As of January 31, 2018, East Valley Water District owned 83% of the outstanding shares of the Company. The Company and East Valley Water District have certain officers and directors in common.

The following related party transactions occurred for the years ending January 31, 2018 and January 31, 2017:

- East Valley Water District paid the Company operating and capital assessments of \$135,803 and \$253,893
- The Company paid East Valley Water District for labor and administration of \$31,051 and \$63,765

NOTE 3 – DEPARTURE FROM US GAAP

As noted in Note 2, East Valley Water District owns 83% of the Company and may appoint (or approve) a controlling majority of the members of the Company's governing board. Under the AICPA's Audit and Accounting Guide for State and Local Governments, this characterizes the Company as a governmental entity and therefore subject to the financial reporting standards required by the Governmental Accounting Standards Board (GASB). The accompanying financial statements were prepared in accordance with the reporting requirements of the Financial Accounting Standards Board (FASB) which represents a known departure from US GAAP.

North Fork Water Company
(A California Corporation)
Notes to Financial Statements
January 31, 2018 and 2017

NOTE 4 - PROPERTY, PLANT, AND EQUIPMENT

A summary of changes in property, plant and equipment follows:

	Balance January 31, 2017	Additions	Deletions	Balance January 31, 2018
<u>Distribution System</u>				
Pipelines	\$ 2,791,959	\$ 59,413	\$ -	\$ 2,851,372
Ditch Diversion Boxes	4,729	-	-	4,729
Valves	1,310	-	-	1,310
	<u>2,797,998</u>	<u>59,413</u>	<u>-</u>	<u>2,857,411</u>
<u>Improvements</u>				
Fencing – North Fork Intake	2,840	-	-	2,840
<u>Construction In Progress</u>				
Pipeline Replacement	41,306	37,988	(74,013)	5,281
Total	<u>\$ 2,842,144</u>	<u>\$ 97,401</u>	<u>\$ (74,013)</u>	<u>\$ 2,865,532</u>
	Balance January 31, 2016	Additions	Deletions	Balance January 31, 2017
<u>Distribution System</u>				
Pipelines	\$ 2,791,959	\$ -	\$ -	\$ 2,791,959
Ditch Diversion Boxes	4,729	-	-	4,729
Valves	1,310	-	-	1,310
	<u>2,797,998</u>	<u>-</u>	<u>-</u>	<u>2,797,998</u>
<u>Improvements</u>				
Fencing – North Fork Intake	2,840	-	-	2,840
<u>Construction In Progress</u>				
Pipeline Replacement	10,563	30,743	-	41,306
Total	<u>\$ 2,811,401</u>	<u>\$ 30,743</u>	<u>\$ -</u>	<u>\$ 2,842,144</u>

Construction In Progress Deletions for the year ending January 31, 2018 includes a (\$14,600) charge that was expensed. The charge was for professional engineering services and was reported on the Statement of Activities.

North Fork Water Company
(A California Corporation)
Notes to Financial Statements
January 31, 2018 and 2017

NOTE 5 - ANNUAL SHAREHOLDER ASSESSMENTS

Annual shareholder operating assessments were set at \$23 per share for the year ended January 31, 2018. No capital assessments were levied during the year.

NOTE 6 - SUBSEQUENT EVENTS

In the preparation of these financial statements, the Company considered subsequent events through March 20, 2018, which is the date these financial statements were issued.

SUPPLEMENTARY INFORMATION

North Fork Water Company
(A California Corporation)

Schedule One
Page 1 of 2

Schedule of Property, Plant and Equipment, and Accumulated Depreciation

January 31, 2018

January 31, 2018

	Date Acquired	Property, Plant and Equipment		Remaining Life Years	Accumulated Depreciation		
		Beginning Balance	Ending Balance		Beginning Balance	Provision	Ending Balance
Canal Replacements	1995	\$ 41,862	\$ 41,862	27	\$ 18,001	\$ 837	\$ 18,838
Canals - 1/2 interest	Various	67,610	67,610		67,610	-	67,610
Ditch Diversion Boxes	1985	4,729	4,729	18	2,992	95	3,087
Canals - 36" Pipeline	1995	8,958	8,958	26	4,028	179	4,207
Canal Replacement (La Tourette)	1997	37,511	37,511	29	14,999	750	15,749
Canal Replacement (Plunge Creek Syphon to Cram School)	1999	68,937	68,937	31	24,827	1,380	26,207
Pipeline Replacement 90' of 26" Pipeline (behind Walmart)	2002	9,941	9,941	33	3,184	199	3,383
Pipeline Replacement 16" Pipeline (Highland Avenue)	2004	3,010	3,010	35	840	60	900
Canal Replacement 36" Pipeline - SAR to Plunge Creek Sandbox)	2009	2,493,592	2,493,592	41.5	374,040	49,872	423,912
Pipeline Replacement 50' of 30" DIP - Highland at VFW Hall	2011	26,205	26,205	43	3,144	524	3,668
Pipeline Replacement 220' of 24" - SAR Xing to Turnout	2014	34,333	34,333	46	2,061	687	2,748
6" Gate Valve (Wier 17)	2014	1,310	1,310	17	198	66	264
Pipeline Replacement 80' of 30" - SAR Xing at 7 Oaks Dan	2017		59,413	49	-	1,188	1,188
		<u>2,797,998</u>	<u>2,857,411</u>		<u>515,924</u>	<u>55,837</u>	<u>571,761</u>
Improvements:							
Security Fencing - NF Intake	2003	2,840	2,840	0	2,840		2,840
Totals		<u>\$ 2,800,838</u>	<u>\$ 2,860,251</u>		<u>\$ 518,764</u>	<u>\$ 55,837</u>	<u>\$ 574,601</u>
Construction in Progress	2017	<u>41,306</u>	<u>5,281</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes and Independent Accountants' Review Report.

North Fork Water Company
(A California Corporation)

Schedule One
Page 2 of 2

Schedule of Property, Plant and Equipment, and Accumulated Depreciation
January 31, 2017

January 31, 2017

	Date Acquired	Property, Plant and Equipment		Remaining Life Years	Accumulated Depreciation		
		Beginning Balance	Ending Balance		Beginning Balance	Provision	Ending Balance
Canal Replacements	1995	\$ 41,862	\$ 41,862	28	\$ 17,164	\$ 837	\$ 18,001
Canals - 1/2 interest	Various	67,610	67,610		67,610	-	67,610
Ditch Diversion Boxes	1985	4,729	4,729	19	2,897	95	2,992
Canals - 36" Pipeline	1995	8,958	8,958	27	3,849	179	4,028
Canal Replacement (La Tourette)	1997	37,511	37,511	30	14,249	750	14,999
Canal Replacement (Plunge Creek Syphon to Cram School)	1999	68,937	68,937	32	23,447	1,380	24,827
Pipeline Replacement 90' of 26" Pipeline (behind Walmart)	2002	9,941	9,941	34	2,985	199	3,184
Pipeline Replacement 16" Pipeline (Highland Avenue)	2004	3,010	3,010	36	780	60	840
Canal Replacement 36" Pipeline - SAR to Plunge Creek Sandbox)	2009	2,493,592	2,493,592	42.5	324,168	49,872	374,040
Pipeline Replacement 50' of 30" DIP - Highland at VFW Hall	2011	26,205	26,205	44	2,620	524	3,144
Pipeline Replacement 220' of 24" - SAR Xing to Turnout	2014	34,333	34,333	47	1,374	687	2,061
6" Gate Valve (Wier 17)	2014	1,310	1,310	17	132	66	198
		<u>2,797,998</u>	<u>2,797,998</u>		<u>461,275</u>	<u>54,649</u>	<u>515,924</u>
Improvements:							
Security Fencing - NF Intake	2003	2,840	2,840	0	2,840		2,840
Totals		<u>\$ 2,800,838</u>	<u>\$ 2,800,838</u>		<u>\$ 464,115</u>	<u>\$ 54,649</u>	<u>\$ 518,764</u>
Construction in Progress	2017	<u>10,563</u>	<u>41,306</u>	<u>0</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes and Independent Accountants' Review Report.

North Fork Water Company
(A California Corporation)
Schedule of Shareholders
January 31, 2018 and 2017

Schedule Two

<u>Shareholder</u>	<u>Certificate Number(s)</u>	<u>Number of Shares</u>
Linda Spitzer	1391	4.00
Arnott Poulty Ranch	1316	138.00
Arnott Brothers Enterprises	1341	55.00
Gailen & Helen Arnott	1129	66.67
William Buster	1057	8.00
Brucie Cagle	1373	4.00
Calvary Chapel	1375	72.50
29300 Baseline Partners, LLC	1123, 1124	48.00
Richard Christianson	1148	3.00
East Valley Water District		5,904.49
Christina Moreno	1379	8.50
Nigel C. Smith	1378	3.00
Jose Gutierrez	1308	9.00
Thomas Hooker	1384	17.00
Robert Hooker	1383	17.00
First American Title	1381	36.00
Garland Kemper	1154	50.00
Kiel Family Trust	1126, 1165, 1258, 1328	143.00
Fred McNeal	1156, 1246, 1248	43.20
McNeal, Duckworth McNeal, Inc.	1360	6.80
Helen Merritt	1390	2.00
Beverly Rich	708	5.00
Luis E. & Jacqueline R. Curiel	1382	3.50
Michael & Patricia Raley	1218	5.00
Wright Family Trust	1362	465.67
Yucaipa Valley W. D.	1392	37.67
Total		<u><u>7,156.00</u></u>

See accompanying notes and Independent Accountants' Review Report.

North Fork Water Company
(A California Corporation)
Statement of Financial Position Comments
January 31, 2018 and 2017

CURRENT ASSETS

Current assets consisted of the following:

	2018	2017
Cash in Checking	\$ 302,731	\$ 378,950
Prepaid Insurance	1,974	1,707
Prepaid Taxes	13,937	14,040
Assessments Receivable	2,064	1,911
 Totals	 \$ 320,706	 \$ 396,608

WATER RIGHTS

There is an agreement dated May 23, 1895, between North Fork Water Company and Bear Valley Land and Water Company (now Bear Valley Mutual Water Company) that provides for delivery of water to North Fork Water Company as follows:

Month	Day Inches
June	500
July	600
August	600
September	550
October	450
November	400
December through May	¼ Flow of Santa Ana River at a point known as "The Divide"

The water deliveries in the period June through November may be reallocated between months, but no more than 600 day inches are to be delivered in any one month.

Water rights, as summarized above, have been valued at \$655,611, which is the difference between the par value of the capital stock outstanding and the value of the remaining assets at January 31, 1952.

See accompanying notes and Independent Accountants' Review Report.

North Fork Water Company
(A California Corporation)
Statement of Financial Position Comments
January 31, 2018 and 2017

PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment, and accumulated depreciation is shown in Schedule One.

The value of the one-half interest in canals was the appraised value in 1940, with subsequent additions being valued at cost.

The provision for depreciation amounted to \$55,837 computed at established rates using the straight-line method.

CURRENT LIABILITIES

Current liabilities consisted of the following:

	<u>2018</u>	<u>2017</u>
Accrued Liabilities		
Accounts Payable		
Labor and Burden	\$ 2,809	\$ 122
Legal - January	1,771	14,198
Landscaping	650	650
EVWD Insurance Reimbursement	-	4,097
Capital Expense - Pipeline Surveying	-	14,599
Capital Expense - Engineering Assessment	-	16,144
Stock Valuation Services - Brian Brady	7,110	-
Total Accounts Payable	<u>12,340</u>	<u>49,810</u>

See accompanying notes and Independent Accountant's Review Report.