OAK TRAIL ESTATES MUTUAL WATER COMPANY

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2024

EGAN & EGAN
Certified Public Accountants

OAK TRAIL ESTATES MUTUAL WATER COMPANY

a California corporation

DECEMBER 31, 2024

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Oak Trail Estates Mutual Water Company
Santa Ynez, CA

We have reviewed the accompanying financial statements of Oak Trail Estates Mutual Water Company (a California corporation, "the Company"), which comprise the statement of financial position as of December 31, 2024, and the related statements of revenues, expenses, and change in stockholders' 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 taken 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.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review

Accountants' 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 conformity with accounting principles generally accepted in the United States of America.

Supplementary Information
The supplementary information included in Schedule 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. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Egan & Egan

September 27 , 2025

OAK TRAIL ESTATES MUTUAL WATER COMPANY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2024

ASSETS

CURRENT ASSETS		
Cash	$	369,392
Other current assets		2,605
Total current assets		371,997
PROPERTY AND EQUIPMENT, net		406,311
Total assets	$	778,308

LIABILITIES AND STOCKHOLDERS' EQUITY

Stockholders' equity		
Common stock, no par value, 7500 shares authorized, 72 shares outstanding		
Additional paid in capital		40,000
Retained earnings	$	738,308
Total stockholders' equity		778,308
Total liabilities and stockholders' equity	$	778,308

The accompanying footnotes are an integral part of these financial statements.

OAK TRAIL ESTATES MUTUAL WATER COMPANY

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2024

		2024
OPERATING REVENUES		
Bi-monthly fees	$	105,512
Water usage fees		123,545
Other income		865
Interest income		11,826
Total revenues		241,748
OPERATING EXPENSES		
Watermaster		38,469
Electricity		55,340
Other utilities		5,377
Repairs and maintenance		14,889
Major reserve expenses		66,429
Backflow and lab testing		8,360
Depreciation		56,300
Total operating expenses		245,164
ADMINISTRATIVE EXPENSES		
Insurance		3,287
Accounting and professional fees		10,800
Dues and subscriptions		602
Office and postage		3,508
Licenses and regulatory fees		2,738
State taxes		800
Total administrative expenses		21,735
NET LOSS		(25,151)
STOCKHOLDER'S EQUITY		
Beginning of year		803,459
End of year	$	778,308

The accompanying footnotes are an integral part of these financial statements.

OAK TRAIL ESTATES MUTUAL WATER COMPANY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2024

		2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$	(25,151)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation		56,300.00
Changes in assets and liabilities:		
Accounts receivable		35,392
Other current assets		(1,744)
Accounts payable		(17,487)
Deferred revenue		(271)
Total adjustments		72,190
Net cash provided by operating activities		47,039
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Addition to property and equipment		6,747
Net increase in cash		53,786
CASH, Beginning of year		315,606
CASH, End of year	$	369,392

The accompanying footnotes are an integral part of these financial statements.

OAK TRAIL ESTATES MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations
Oak Trail Estates Mutual Water Company (the Company) is a California stock corporation that was incorporated in 1976. It is recognized as a 501©(12) tax-exempt entity by the Internal Revenue Service.

Its primary purpose is to maintain, manage, and protect the common areas owned by the members, including wells, distribution pipes, and treatment equipment, along with providing domestic water service to 72 parcels within the Santa Ynez Valley.

Common Stock
Ownership of common stock is limited to owners of real property or lots as defined in the Bylaws. Shares are appurtenant to the real property and are not transferable except with the conveyance of the real property.

Basis of Accounting
The Company employs the accrual method of accounting, recognizing income when earned and expenses as they are incurred. The presentation herein reflects the ownership interests and economic benefits of the members.

Cash
The Company considers cash and short-term investments of three months or less to be cash. The Company maintains cash at financial institutions which provide insurance by the Federal Deposit Insurance Corporation. The Board of Directors does not believe that the amounts on deposit are at risk of loss.

Accounts Receivable
Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Accounts receivable are primarily unsecured non-interest bearing amounts due from water customers. These accounts receivables consist of amounts owed for water usage and any interest charges that may have accrued. Management believes that all outstanding accounts receivable are collectible in full. No allowance for credit losses was provided in the accompanying financial statements.

Members are subject to bimonthly, fixed standby charges of $258 per parcel to provide funds for operating expenses, future capital acquisitions, and major repairs and replacements.

Property and Equipment
Property and equipment are reported in the statement of financial position at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 7 years to 50 years.

OAK TRAIL ESTATES MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Revenue Recognition
The Company recognizes revenue from water sales upon billing water delivered to the customer and due within thirty days of billing. Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due.

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 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Equipment	$	1,425,226
Fencing		10,100
Water tank improvements		28,759
All other		9,103
		1,473,188
Accumulated depreciation		(1,066,877)
	$	406,311

NOTE 3 – PROVISION FOR INCOME TAX

The Company is exempt from Federal income tax but is subject to California as a regular domestic corporation. Accordingly, it is subject to minimum franchise tax each year. The Company's most recent three and four years of income tax returns are open for audit by the Internal Revenue Service and Franchise Tax Board, respectively.

NOTE 4 - REPLACEMENT FUNDING PROGRAM - RESERVE FUNDS

A study to determine the adequacy of the current funding program for the replacement of the utility assets was prepared by an independent reserve study preparer in November 2023. See supplemental information. Actual expenditures and the timing of the expenditures may vary considerably from those estimated. Reserves may not be sufficient to meet future major repair and replacement costs. When replacement funds are needed, the water company has the right to increase the regular monthly assessment, pass special assessments subject to California law or delay replacement until funds are available.

OAK TRAIL ESTATES MUTUAL WATER COMPANY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – SOLAR PANEL PLACEMENT PROJECT

The Company was working with a solar energy contractor along with Pacific Gas and Electric to place solar energy panels and equipment within the common area to provide the power necessary to operate the water system. The 2024 budget anticipated the cost to be $573,389 of which $446,300 would be financed via a bank loan.

During the year ended December 31, 2024, the project was halted and the amounts held in fixed assets as work in process was expensed to major reserve expenses on the Statement of Revenues, Expenses, and Change in Stockholders' Equity.

NOTE 7- SUBSEQUENT EVENT

The Company has evaluated subsequent events through the date the financial statements were available to be issued, September 27, 2025. No material subsequent events required disclosure.

SUPPLEMENTARY INFORMATION

OAK TRAIL ESTATES MUTUAL WATER COMPANY

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

DECEMBER 31, 2024

The water company had a reserve study prepared in November 2023 by an independent reserve study preparer. Estimates were obtained from historical data, published information, consultation with Association contractors/management and the preparer's professional experience. The following table is based upon that analysis and presents significant information about the components of common property.

Components	Estimated Remaining Lives (Years)	Estimated Current Replacement Costs	Allocated Funding Fiscal Year 2024	12/31/2024 Reserves Funded
Well #7	4-7	$ 77,000		
Well #5	2	62,500		
Well #6	2-9	67,000		
Cisterns	3	10,000		
Communications Systems	0-5	48,500		
Future Well Replacements	7-23	990,000		
Fences	3-13	34,500		
Fire Hydrants	0	10,000		
Shutoff Valves	0	8,000		
Residential Water Meters	18	100,000		
Other Components	0-16	58,000		
Totals		$ 1,465,500	$ 102,427	$