

**CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON**

FINANCIAL REPORT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021



**12700 SW 72nd Ave.
Tigard, OR 97223**

CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON

FINANCIAL REPORT

For the Years Ended December 30, 2022 and 2021

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CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON

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April 28, 2023

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Management is responsible for the accompanying basic financial statements of Crooked River Ranch Water Company (the Company) (a nonprofit organization), which comprise the statements of financial position – modified cash basis as of December 31, 2022 and 2021, and the related statements of activities – modified cash basis, functional disbursements – modified cash basis, and cash flows – modified cash basis for the years then ended, and the related notes to the basic financial statements in accordance with the modified cash basis, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the modified cash basis basic financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these basic financial statements.

We draw attention to Note 1 of the basic financial statements, which describes the basis of accounting. The basic financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Roy R Rogers
ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.

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BASIC FINANCIAL STATEMENTS

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CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON

STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS
at December 31, 2022 and 2021

ASSETS:	2022	2021
Current Assets		
Cash and cash equivalents	\$ 398,081	\$ 385,124
Restricted cash for debt service	175,224	175,224
Materials inventory	<u>104,572</u>	<u>104,572</u>
Total Current Assets	677,877	664,920
Capital Assets		
Capital assets, net of accumulated depreciation	<u>6,989,907</u>	<u>7,252,916</u>
TOTAL ASSETS	<u>7,667,784</u>	<u>7,917,836</u>
LIABILITIES:		
Current Liabilities		
Customer deposits	1,412	1,200
Current portion of long-term debt	<u>93,176</u>	<u>91,462</u>
Total Current Liabilities	94,588	92,662
Long-term Liabilities		
USDA loan, net of current portion and Amortization fees of \$9,437 and \$9,715	<u>4,273,256</u>	<u>4,366,154</u>
Total Liabilities	<u>4,367,844</u>	<u>4,458,816</u>
NET ASSETS		
Net assets without donor restrictions	<u>3,299,940</u>	<u>3,459,020</u>
Total Net Assets	<u>3,299,940</u>	<u>3,459,020</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,667,784</u>	<u>\$ 7,917,836</u>

See accompanying notes and accountants' compilation report.

CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON

STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS
for the Years Ended December, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Receipts		
Metered water sales	\$ 979,250	\$ 987,328
New connection fees	10,902	24,519
Re-connection fees	677	1,229
Material and labor charges	-	3,956
Interest income	327	1,274
Cell tower fees	19,630	16,380
Miscellaneous income	5,948	1,936
Cross connection fee	<u>4,546</u>	<u>15,747</u>
Total Receipts	<u>1,021,280</u>	<u>1,052,369</u>
Disbursements		
Operating Disbursements	932,093	906,075
General and Administrative	<u>248,267</u>	<u>273,147</u>
Total Disbursements	<u>1,180,360</u>	<u>1,179,222</u>
Change in Net Assets		
	(159,080)	(126,853)
Net Assets at Beginning of Year	<u>3,459,020</u>	<u>3,585,873</u>
Net Assets at End of Year	<u>\$ 3,299,940</u>	<u>\$ 3,459,020</u>

See accompanying notes and accountants' compilation report.

CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON

STATEMENT OF FUNCTIONAL DISBURSEMENTS - MODIFIED CASH BASIS
for the Year Ended December 31, 2022

	<u>Operating</u>	<u>General & Adminstrative</u>	<u>Total</u>
DISBURSEMENTS:			
Amortization	\$ 834	\$ -	\$ 834
Computer expense	-	36,385	36,385
Contract services	98,067	-	98,067
Depreciation	412,172	-	412,172
Double Check Valve Backflow Program	-	80	80
Dues and Subscriptions	-	3,336	3,336
Education and Staff Conferences	-	1,204	1,204
Employee Benefits	-	20,428	20,428
Insurance	-	29,273	29,273
Interest expense	-	83,762	83,762
Legal and professional fees	-	9,449	9,449
License and fees	-	2,040	2,040
Miscellaneous	-	22,495	22,495
Other supplies and postage	4,209	7,521	11,730
Payroll taxes and expense	-	22,149	22,149
Power	90,732	6,433	97,165
Property Tax	-	739	739
Public Relation Advertising	-	770	770
Equipment Rental	1,958	-	1,958
Small tools	3,815	-	3,815
System repair and maintenance	33,690	-	33,690
Telephone and utilities	10,746	2,203	12,949
Transportation	15,603	-	15,603
Wages	257,789	-	257,789
Water quality test	2,478	-	2,478
 Total Disbursements	 <u>\$ 932,093</u>	 <u>\$ 248,267</u>	 <u>\$ 1,180,360</u>

See accompanying notes and accountants' compilation report.

CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON

STATEMENT OF FUNCTIONAL DISBURSEMENTS - MODIFIED CASH BASIS
for the Year Ended December 31, 2021

	<u>Operating</u>	<u>General & Adminstrative</u>	<u>Total</u>
DISBURSEMENTS:			
Amortization	\$ 278	\$ -	\$ 278
Bad debt expense	-	32,772	32,772
Computer expense	92,972	-	92,972
Contract services	428,508	-	428,508
Depreciation	-	80	80
Double Check Valve Backflow Program	-	3,147	3,147
Dues and Subscriptions	-	3,901	3,901
Education and Staff Conferences	-	27,597	27,597
Employee Benefits	-	38,416	38,416
Insurance	-	85,440	85,440
Interest expense	-	9,713	9,713
Legal and professional fees	-	3,533	3,533
License and fees	-	22,494	22,494
Other supplies and postage	7,673	7,308	14,981
Payroll taxes and expense	-	20,381	20,381
Power	92,476	6,449	98,925
Property Tax	-	1,480	1,480
Public Relation Advertising	-	1,852	1,852
Equipment Rental	106	-	106
Small tools	4,507	-	4,507
System repair and maintenance	25,059	-	25,059
Telephone and utilities	2,109	8,584	10,693
Transportation	13,448	-	13,448
Wages	236,075	-	236,075
Water quality test	2,864	-	2,864
 Total Disbursements	 \$ 906,075	 \$ 273,147	 \$ 1,179,222

See accompanying notes and accountants' compilation report.

CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
for the Years Ended December, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of receipts over disbursements	\$ (159,080)	\$ (126,853)
Depreciation (net)	409,423	428,156
Changes in operating assets and liabilities:		
Customer deposits	212	(600)
Amortization of loan fee	278	278
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>250,833</u>	<u>300,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(146,414)	(256,552)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(146,414)</u>	<u>(256,552)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term loans and retention payable	(91,462)	(89,778)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(91,462)</u>	<u>(89,778)</u>
NET INCREASE (DECREASE) IN CASH	12,957	(45,349)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>560,348</u>	<u>605,697</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 573,305</u>	<u>\$ 560,348</u>
Asset Presentation:		
Cash	\$ 398,081	\$ 385,124
Restricted cash	175,224	175,224
Total Cash	<u>\$ 573,305</u>	<u>\$ 560,348</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Crooked River Ranch Water Company (the Company), was organized as a nonprofit corporation on April 27, 1977, for the purpose of owning and operating a mutual domestic water distribution system and distributing water to Crooked River Ranch, which is located in central Oregon. The Water Company may assess its members' fees to cover the costs of its water services and may accumulated funds to meet its current expenses and other reasonable needs and reserves. It is regulated by the Oregon Public Utilities Commission.

BASIS OF ACCOUNTING

The accompanying basic financial statements were prepared on the modified cash basis of accounting, which is a financial reporting framework other than accounting principles generally accepted in the United States of America. The modifications to the cash basis of accounting are the reporting of capitalization and depreciation of property and equipment, materials inventory, refundable (customer) deposits and long-term debt. Under this basis, receipts are recognized when collected rather than when earned, and disbursements are recognized when paid rather than when incurred. Receivables and payables are not reported, except for any retention payable.

The modified cash basis of accounting differs from accounting principles generally accepted in the United States primarily because the effects of outstanding receivables and obligations for expenses unpaid as of the basic financial statement date have been excluded from the basic financial statements.

INVENTORY

Inventories are valued at cost using the specific identification method.

USE OF ESTIMATES

Preparation of the modified cash basis basic financial statements in conformity with accounting principles generally accepted in the United States of America 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CAPITAL ASSETS

Property, plant, and equipment purchased or constructed are capitalized at cost. All purchases of property and equipment over \$2,500 per item with a useful life greater than one year are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

**CROOKED RIVER RANCH WATER COMPANY
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NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (Continued)

Building and improvements	30-40 years
System infrastructure	20-50 years
Vehicles	5-10 years
Machinery and equipment	5-30 years
Furniture and Fixtures	5-10 years

FINANCIAL STATEMENT PRESENTATION

The accompanying basic financial statements were prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14. Under FASB ASU 2016-14, information regarding financial position and activities are reported according to two classes of net assets (Net assets without donor restrictions and net assets with donor restrictions) based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Receipts, gains and other support that have no external restrictions on their use or purpose and can be used for any purpose consistent with bylaws are reported as net assets without donor restrictions. Net assets without donor restriction include all assets available for general purposes.

Net Assets with Donor Restrictions – Contributions that are received with donor stipulation or by law that limit their use are recorded as net assets with donor restrictions. Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulation that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) or those resources. Thus, those laws extend donor imposed restrictions. There are no net assets with donor restrictions at December 31, 2022 and 2021.

Contributions are recorded in accordance with FASB ASU 2016-14. Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of the donor and legal restrictions. Contributions with donor restrictions received and released in the same year are recorded as contributions without donor restrictions. For the years ended December 31, 2022 and 2021, no contributions with donor restrictions have been received.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. At December 31, 2022 and 2021, there were no investments.

**CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

WATER USAGE FEES

Receipts are primarily derived from water fees collected from users and are expended for the purpose of distribution of water to the users. The minimum residential water rate for 2022 and 2021 was \$34.59 per month for both years. Company personnel read the meters every month during the summer with the excess usage billed at that time.

2. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash on hand and demand deposits. Deposits with financial institutions included bank demand deposits.

	<u>2022</u>	<u>2021</u>
Demand Deposits	<u>573,305</u>	<u>560,348</u>
	<u>\$ 573,305</u>	<u>\$ 560,348</u>

Financial Statement Presentation:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	<u>\$ 398,081</u>	<u>\$ 385,124</u>
Restricted Cash	<u>175,224</u>	<u>175,224</u>
	<u>\$ 573,305</u>	<u>\$ 560,348</u>

Restricted Cash is a debt service reserve required by debt covenant (see note 5).

CREDIT RISK – DEPOSITS

In the case of deposits, there is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial risk. The deposits exceeded Federal Deposit Insurance Coverage (FDIC) limit by \$369,762 and \$370,120 as of December 31, 2022 and 2021, respectively.

**CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Changes in capital assets for the year ended December 31, 2022 are as follows:

	January 1, 2022	Adjustments	Additions	(Deletions)	December 31, 2022
Capital Asset, Non-depreciable					
Land	141,331	-	-	-	141,331
Total non-depreciable	141,331	-	-	-	141,331
Depreciable Assets					
Land Improvements	785,145	-	-	-	785,145
Buildings	231,125	-	-	-	231,125
Water system improvements	8,996,029	-	6,908	-	9,002,937
Vehicles	147,520	-	82,586	-	230,106
Furniture and fixtures	11,674	-	16,080	-	27,754
Machinery and equipment	349,695	-	40,840	-	390,535
Total depreciable assets	10,521,188	-	146,414	-	10,667,602
Accumulated Depreciation					
Land Improvements	172,260	-	40,256	-	212,516
Buildings	136,010	(1)	5,358	-	141,367
Water system improvements	2,754,262	(1,977)	344,608	-	3,096,893
Vehicles	142,299	(770)	10,423	-	151,952
Furniture and fixtures	7,803	-	2,671	-	10,474
Machinery and equipment	196,969	(1)	8,856	-	205,824
Total accumulated depreciation	3,409,603	(2,749)	412,172	-	3,819,026
Total Net Depreciable Capital Assets	<u>7,111,585</u>				<u>6,848,576</u>
Total Net Capital Assets	<u>\$ 7,252,916</u>				<u>\$ 6,989,907</u>

Adjustments represents the updating of accumulated depreciation in the Capital Asset Register.

**CROOKED RIVER RANCH WATER COMPANY
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NOTES TO THE BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Changes in capital assets for the year ended December 31, 2021 are as follows:

	January 1, 2021	Adjustments	Additions	(Deletions)	December 31, 2021
Capital Asset, Non-depreciable					
Land	141,331	-	-	-	141,331
Total non-depreciable	141,331	-	-	-	141,331
Depreciable Assets					
Land Improvements	785,145	-	-	-	785,145
Buildings	231,125	-	-	-	231,125
Water system improvements	8,739,477	-	256,552	-	8,996,029
Vehicles	147,520	-	-	-	147,520
Furniture and fixtures	11,674	-	-	-	11,674
Machinery and equipment	349,695	-	-	-	349,695
Total	10,264,636	-	256,552	-	10,521,188
Accumulated Depreciation					
Land Improvements	132,004	-	40,256	-	172,260
Buildings	130,652	-	5,358	-	136,010
Water system improvements	2,407,601	(352)	347,013	-	2,754,262
Vehicles	122,153	-	20,146	-	142,299
Furniture and fixtures	6,298	-	1,505	-	7,803
Machinery and equipment	182,739	-	14,230	-	196,969
Total	2,981,447	(352)	428,508	-	3,409,603
Total Net Depreciable Capital Assets	<u>7,283,189</u>				<u>7,111,585</u>
Total Net Capital Assets	<u>\$ 7,424,520</u>				<u>\$ 7,252,916</u>

Adjustment represents the updating of accumulated depreciation in the Capital Asset Register.

**CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. INCOME TAX STATUS

Crooked River Ranch Water Company is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. In any given year, at least eighty-five percent (85%) of the Company's gross income must be collected from members, for the sole purpose of meeting losses and expenses.

U.S. Generally Accepted Accounting Principles requires management to evaluate tax positions taken and recognize a tax liability (or asset) if an uncertain position has been taken that more likely than not would not be sustained upon examination by the Internal Revenue Service.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company's management believes it is no longer subject to income tax examinations for years prior to 2019.

5. LONG-TERM LIABILITIES

Two loans were received in December of 2016 through the U.S. Department of Agriculture (USDA) Rural Utilities Service program totaling \$4,900,000. The loans are being repaid over 40 years at 1.875% interest and are secured by promissory note and deed of trust on all lands owned, assigned of income, water rights and all easements as well as a UCC-1 financing statement on all movable equipment. Annual payments of \$175,224 are made.

The Letter of Conditions requires the establishment of the following reserve accounts:

1. Debt Service Reserve:

Funded annually with an amount equal to 10% of the annual payment each year over the life of the loan until one annual installment of \$175,224 is accumulated.

The Company has complied with these conditions by designating one bank account to hold the debt service reserve. The debt service reserve account balance at December 31, 2022 and 2021 was \$175,224.

Changes in long term liabilities as of December 31, 2022 are:

	Beginning Balance 1/1/2022	Addition	Reductions	Ending Balance 12/31/2022	Due within One year
Notes Payable	\$ 4,467,331	\$ -	\$ (91,462)	\$ 4,375,869	\$ 93,176
Amortization Fee	(9,715)	-	278	(9,437)	-
Total Long term Liabilities	<u>\$ 4,457,616</u>	<u>\$ -</u>	<u>\$ (91,184)</u>	<u>\$ 4,366,432</u>	<u>\$ 93,176</u>

**CROOKED RIVER RANCH WATER COMPANY
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NOTES TO THE BASIC FINANCIAL STATEMENTS

5. LONG-TERM LIABILITIES (CONTINUED)

Changes in long term liabilities as of December 31, 2021 are:

	Beginning Balance 1/1/2021	Addition	Reductions	Ending Balance 12/31/2021	Due within One year
Notes Payable	\$ 4,557,109	\$ -	\$ (89,778)	4,467,331	\$ 91,462
Amortization Fee	(9,993)		278	(9,715)	-
Total Long term Liabilities	\$ 4,547,116	\$ -	\$ (89,500)	\$ 4,457,616	\$ 91,462

Future debt service requirements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	93,176	82,048	175,224
2024	94,924	80,300	175,224
2025	96,703	78,521	175,224
2026	98,517	76,707	175,224
2027	100,364	74,860	175,224
2028-2032	530,761	345,359	876,120
2033-2037	582,422	293,698	876,120
2038-2042	639,110	237,010	876,120
2043-2047	701,316	174,804	876,120
2048-2052	769,576	106,543	876,119
2053-2056	<u>669,000</u>	<u>31,644</u>	<u>700,644</u>
	<u>\$ 4,375,869</u>	<u>\$ 1,581,494</u>	<u>\$ 5,957,363</u>

**CROOKED RIVER RANCH WATER COMPANY
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NOTES TO THE BASIC FINANCIAL STATEMENTS

6. OPERATING LEASES

In 2018, the Company signed a rental agreement with Solutions Yes for a copier under a five year agreement through February 2023. At December 31, 2022, the remaining payments are considered a short term lease and would not be recorded under FASB ASC 842 due to the Company's use of the modified cash basis of accounting.

7. FUNCTIONAL DISBURSEMENTS

The Statements of Functional Disbursements report certain categories of disbursements that are attributable to more than one program or supporting function. Therefore, these disbursements require allocation on a reasonable basis that is consistently applied. All disbursements are allocated based on time and effort.

8. LIQUIDITY

Financial assets available within one year of the balance sheet date for general expenditures are as follows at December 31, 2022 and 2021, respectively:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 573,305	\$ 560,348
Restricted cash	<u>(175,224)</u>	<u>(175,224)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 398,081</u>	<u>\$ 385,124</u>

The restricted cash is required by the USDA loan's debt covenant. As part of liquidity management, there is a policy to structure its financial assets to be available as its general expenses, liabilities and other obligations come due. In addition, cash in excess of daily requirements is invested in short-term investments.

9. RETIREMENT PLAN

The Company started a SIMPLE IRA retirement plan for its employees during 2015. Eligibility is limited to employees who are reasonably expected to receive at least \$5,000 in compensation for the calendar year.

The Plan provides for either a matching contribution of 1%-3% or an employer non-elective contribution equal to 2% of total employee compensation for the calendar year. This election is made annually. Employer contributions for the year ended December 31, 2022 and 2021 were \$6,837 and \$6,730, respectively. The investments of the Plan are not shown on these basic financial statements because the assets belong to the Plan for the exclusive use of the employees, and is managed by a third party provider.

**CROOKED RIVER RANCH WATER COMPANY
CROOKED RIVER RANCH, OREGON**

NOTES TO THE BASIC FINANCIAL STATEMENTS

10. COMMITMENTS AND CONTINGENCIES

The COVID-19 outbreak in the United States has caused substantial disruption to business and local governments due to mandated and voluntary suspension of operations and stay at home orders. There is considerable uncertainty around the duration of the outbreak and the long-term impact to the overall economy. The ultimate impact on the Company's finances is not determinable.

11. SUBSEQUENT EVENTS

Events have been evaluated for the year ended December 31, 2022 through April 28, 2023, the issuance date of the basic financial statements. No subsequent events were identified by management that required note disclosure.

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