California Domestic Water Company

Annual Report
To Shareholders

FY 2023/2024

A Message from the Board of Directors Chairman and Company President

FY 2023/2024 proved to be a productive year of adaptation and planning for the future. This year, California Domestic Water Company (Company) advanced its 2020 Strategic Plan, the culmination of four years focused on outreach and communications, succession planning, governance, water supply, and finance. Each strategic initiative undertaken was carefully planned and built on our learning experiences for designing and developing a foundation to achieve success throughout the implementation phase, including:

1. *Retail Shareholder Engagement Campaign – Streamlining operations and resources to better serve shareholders by successfully transitioning them to their designated water utility provider.*

2. *Senior Water Utility Worker Recruitment – Focusing on proactive recruitment efforts to strengthen succession planning and team building within the Company.*

3. *Bylaws of California Domestic Water Company Amendment Process – Collaborating amongst all stakeholders to prepare a governing document that captures and acknowledges the Company's evolution.*

4. *Well 8 Ion Exchange Treatment Facility Completion – Making capital investments and regular facility rehabilitations to enhance local water quality delivered to shareholders.*

The Company continues to lead with stability and continued strategic planning efforts that will carry into FY 2024/2025 and focus on water supply, water systems and operations, governance, regional leadership, and strategic partnerships. Building on the strategic initiatives that have already been implemented and refocusing on internal items to strengthen the overall organizational effectiveness of the Company will position us to better serve the region, meet pressing challenges, and fulfill our mission of ensuring shareholders receive a high-quality, reliable water supply at a sustainable the reasonable price. We remain committed and dedicated to providing you with the excellence you have come to expect from us.

Donald J. Hannah, Jr.
Chairman

Lynda Noriega
President


EAST WHITTIER
1890
LAND & WATER CO.
SIMON J. MURPHY

2020 Strategic Plan Initiatives and Successes

The Company is pleased to highlight its continued progress of the Board of Directors adopted 2020 Strategic Plan initiatives. The 2020 Strategic Plan encompassed a range of initiatives focused on improving efficiency, enhancing operations, streamlining processes, and positioning the Company for future growth and overall organizational effectiveness. With the successful execution of these initiatives, the Company is well-positioned to build on the realized successes as it continues to evolve.

FY 2023/2024 Strategic Initiatives

5

Retail Shareholder Engagement Campaign

Over the last 25 years, the Company has been taking steps to become a 100% wholesale water supplier. Since the Company no longer maintains any retail water facilities, retail shareholders are serviced through the City of La Habra and Suburban Water Systems. Through a retail shareholder engagement campaign, the Company aims to streamline operations and resources to better serve its shareholders.

6

Senior Water Utility Worker Recruitment

As part of its commitment to strategic succession planning and the effective management of its workforce, in July 2023, the Company developed a plan for proactive and focused recruitment of a Senior Water Utility Worker to fill an operator vacancy. With the new hire, the Company will continue to educate and professionally develop its employees about the goals and objectives established by the Board of Directors to achieve its overall mission of ensuring shareholders receive a high-quality, reliable water supply at a sustainable and reasonable price.

8

Bylaws of California Domestic Water Company Amendment Process

Before the Company initiated its Bylaw review and amendment process, the Bylaws that were in effect were adopted in October 2011. Since then, the Company has realized significant changes to its governance structure and processes as well as its operations for serving shareholders. The comprehensive review and amendment process was critical to align the Bylaws with the Company's current organizational values, strategic goals, and operations.

10

Well 8 Ion Exchange Treatment Facility Completion

The Company has completed a major expansion of its treatment facilities at its Well 8 site to improve drinking water quality by removing per- and polyfluoroalkyl substances (PFAS). This comes at a pivotal time before the new regulatory standards adopted by the United States Environmental Protection Agency (USEPA) take effect and as the California State Water Resources Control Board continues to review and study PFAS to establish new regulatory standards.

STATEGIC INITIATIVE

Retail Shareholder Engagement Campaign

with Successful Shareholder Transitions

Current Common Stock Share Value $16,180

GOALS

- Educate shareholders on the Company's long-term and short-term objectives.
- Provide current and relevant information about making the transition to their appropriate water utility provider an easy and seamless process.
- Become a 100% wholesale water supplier.

ON TAP

for FY 2024/2025

- Update and enhance information on materials to be delivered to retail shareholders.
- Continue to send quarterly educational materials.
- Keep staff informed of the campaign to be prepared to answer any questions from shareholders.

SUCCESSES

- Remained in constant contact with the retail shareholders.
- Transitioned 26 residential shareholder accounts to their designated water utility provider.

STATEGIC INITIATIVE

Senior Water Utility Worker Recruitment

Proactive Recruitment Efforts Strengthen Succession Planning and Team Building

Steven Cabrera
Senior Water Utility Worker

Sept 2022

Water Utility Service Worker II position became vacant.

July 2023

Company develops a comprehensive plan for proactive and focused recruitment to fill essential role, including:

- Recruitment brochure
- Leveraging the State Water Resources Control Board's certified operator list to identify potential candidates

Dec 2023

Company recorded interviews with management and filmed employee clips for a recruitment video to be posted on Company's website, providing prospective candidates with a clear understanding of the Company's work environment and culture.

Feb 2024

Recruitment campaign for the Senior Water Utility Worker position officially launched.

Apr 2024

Brochures were mailed to targeted operators to attract qualified candidates, leading to a series of interviews with prospective applicants.

May 2024

Successfully hired Steven Cabrera, a Water Distribution Grade D4 and Water Treatment Grade T2 operator with 13 years of water operations experience.

STATEGIC INITIATIVE

Bylaws of California Domestic Water Company Amendment Process

Collaboration Amongst All Stakeholders Results in an Effective Document That Captures and Acknowledges the Company's Evolution

Understanding Bylaws

The Bylaws of California Domestic Water Company is an official legal document outlining, defining, and establishing the Corporation's management structure, procedures, practices, and rules and regulations for the conduct of the Corporation's business functions.

Adapting to Change

The previous Bylaws were last amended and adopted on October 17, 2011, and since then the Company has realized significant changes in its business and management structure, operations procedures, and practices.

- The proposed amendments to the Bylaws were presented to the Company's Administrative Committee in January 2024. The shareholder administrative review period commenced on January 29, 2024, allowing shareholders to examine and provide input on the proposed changes.
- The review period concluded in March 2024, and the Company received valuable feedback, including comments and suggested revisions from shareholders. In April 2024, meetings with shareholder management teams were conducted to discuss their suggestions and gather further input.
- Following this collaborative process, in May 2024, the final draft of the Bylaws was distributed to shareholders.

The Board of Directors adopted the amended Bylaws on June 7, 2024. These changes will ensure the Company's governance framework effectively supports its strategic initiatives and reflects its evolving values.

Well 8 Ion Exchange Treatment Facility Completion

Capital Investments and Facility Rehabilitations Enhance Local Water Quality Delivered to Shareholders

Our work to advance PFAS treatment locally is critical for the long-term success and well-being of the communities we serve.

The new treatment facility, completed in March 2024, now includes six ion exchange vessels and new piping on a 3.5-acre site at 12419-12429 Valley Boulevard, east of Gilman Road and south of the railroad tracks in the City of El Monte.

This facility connects to the Company's existing Well 8 and other treatment plants located north of the railroad tracks in the City of Industry. With this new installation, the plant can treat up to 3,000 gallons of water per minute, and Well 8 will return to full-time service.

Well 8 is central to meeting shareholder demands since it is one of two wells used in the Company's approved drinking water blending operation.

- The new ion exchange treatment facility removes PFAS from groundwater sourced from the Main San Gabriel Basin (Basin) and produced by Well 8.
- As of June 30, 2024, the Company is pending the approved operating permit from the State Water Resources Control Board Division of Drinking Water before bringing the treatment facility online.

"The expansion and the rehabilitation of Well 8 enable us to meet stringent Federal and State water quality standards and provide a reliable, high-quality water supply to our shareholders," said Company President Lynda Noriega. ***"Our work to advance PFAS treatment locally is critical for the long-term success and well-being of the communities we serve."***

The recent expansion and installation of the PFAS treatment facility came in anticipation of the new regulations adopted by the USEPA in April 2024. The new regulations include a maximum contaminant level of 4 parts per trillion for perfluorooctanoic acid (PFOA) and perfluorooctane sulfonate (PFOS).

By investing in advanced PFAS treatment technologies, the Company is aligning with both Federal and State regulations and reinforcing its commitment to providing high-quality drinking water.

PFAS With Compliance Monitoring Levels

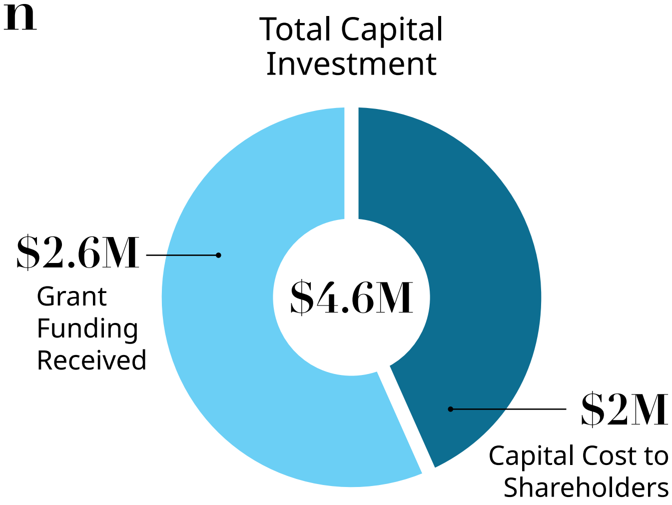
Constituent	State of California *Health Advisory Levels*		USEPA *Legally Enforceable Levels*
	Notification Level (NL - ng/L or ppt)	Response Level (RL - ng/L or ppt)	Maximum Contaminant Level (MCL - ng/L or ppt)
Perflouorooctanoic Acid (PFOA)	5.1	10.0	4.0
Perfluororctane Sulfonic Acid (PFOS)	6.5	40.0	4.0
Perflouorobutane Sulfonic Acid (PFBS)	500	5,000	–
Perfluorohexane Sulfonic Acid (PFHxS)	3.0	20.0	10.0
Perfluorononanoic Acid (PFNA)	–	–	10.0
GenX Chemicals (HFPO-DA)	–	–	10.0

*NOTE: PPT is equivalent to one drop of water in an Olympic size swimming pool. For these six PFAS constituents, the lower level prevails for enforcement of any regulatory compliance actions.

Treatment Facility Expansion and Rehabilitation:

An Investment in Shareholder Success

- Grant funding awarded to the Company controls the Well 8 ion exchange treatment facility capital costs, directly benefitting the shareholders.
- Participation in class-action PFAS settlements — any money received will be reinvested in the Company's planned 10-year Capital Improvement Plan to enhance the Company's infrastructure and operational redundancy and reliability.



Well 8 Ion Exchange Treatment Facility Rendering

$450,000

Projected Annual O&M Expense


September

STATEGIC PLANNING

The Path Forward:

What's Next for California Domestic Water Company

As the water delivery landscape continues to shift, the Company stands at a pivotal moment of transformation and opportunity. With advancements in technology, regulatory changes, and expanding environmental considerations, the future of water management is both dynamic and challenging. The Company is committed to navigating these changes strategically, ensuring that its operations adapt effectively to meet emerging needs and expectations. This forward-looking approach is vital as the Company positions itself to address future demands, enhance service delivery, and sustain its role as a leader in the industry.

... the Company will be able to protect groundwater resources and ensure the continued delivery of high-quality water to its shareholders.

Water Supply

As water regulations continuously change, the Company is proactively managing potential impacts on water quality and supply.

- By addressing emerging contaminants and pursuing water rights opportunities, the Company is committed to providing a reliable supply at a sustainable price.
- The Company is actively working with SL Environmental Law Group on claim submissions and participating in nationwide multi-district PFAS litigation. This involvement is key to tackling the widespread PFAS issue in the local water supply.

Additionally, the Company is preparing to begin negotiations for the Baldwin Park Operable Unit (BPOU) agreement and is focused on securing continued funding for groundwater remediation. This initiative targets contaminants such as perchlorate, N-Nitrosodimethylamine (NDMA), volatile organic compounds (VOCs), and 1,4-Dioxane.

By obtaining the necessary funding and advancing groundwater remediation efforts, the Company will be able to protect groundwater resources and ensure the continued delivery of high-quality water to its shareholders.

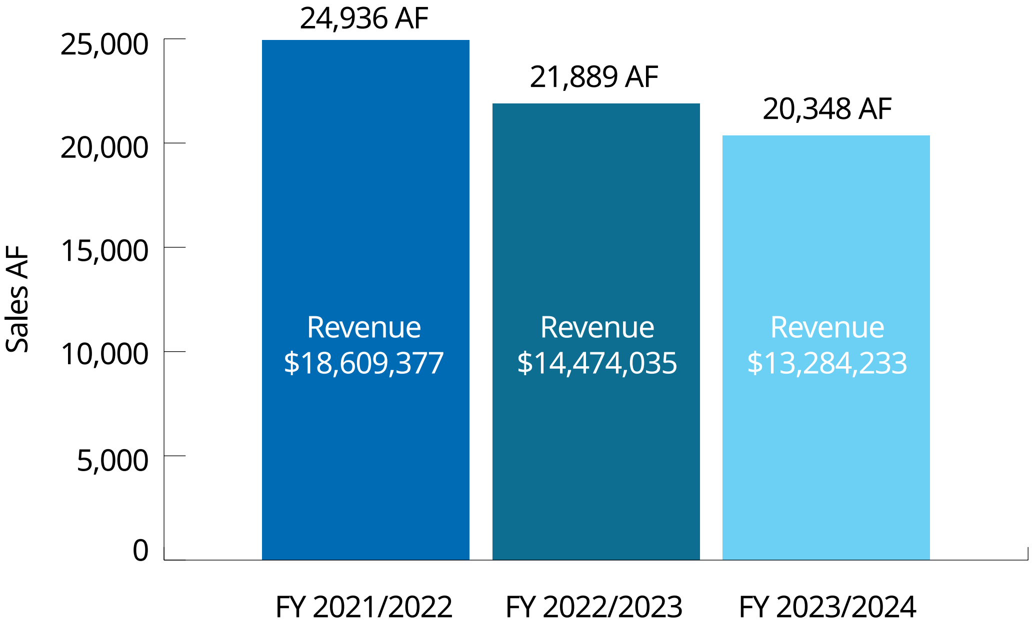

California Domestic
Water Company

Sales Trends and Impacts

The Company continues to respond to declining shareholder water demands and sales trends. The downward trend is due to several factors, including recent wet year impacts and Senate Bill 606 and Assembly Bill 1668, signed into law in 2018.

- FY 2022/2023 and FY 2023/2024 delivered above-average rainfall to the Company's shareholders' service areas, minimizing the demand for outdoor water use.
- Legislation established long-term urban use efficiency standards, requiring each urban water supplier to report water use objectives to be monitored by the State Water Resources Control Board for compliance.
- The State Water Resources Control Board adopted the new water use efficiency objectives in June 2022, and urban water suppliers were required to begin reporting their water use efficiency in November 2023.
- Originally, urban water suppliers were required to meet their urban water use objective by January 1, 2027, however in 2024, that compliance deadline was extended to 2030.

Review of Company Sales

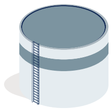


The Company is proactively addressing sales impacts and will meet with Rowland Water District to strategize on initiatives to increase sales to Puente Basin Water Agency, which includes the Rowland Water District and Walnut Valley Water District.

Water Systems & Operations

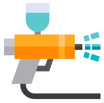
The Company's water system, a sophisticated network of pipes, pumps, and reservoirs, plays an important role in delivering reliable service to its shareholders. To safeguard this infrastructure and support future growth, the Company is developing a comprehensive capital improvement plan to address reliability needs and expand operational system redundancies.

Key components of the capital improvement plan include:



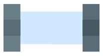
New Reservoir Project:

Construction of a new reservoir at the Bassett Reservoir site to sustain operations when one reservoir is removed from service for maintenance or repair.



Reservoir Recoating and Corrosion Repair:

Interior recoating and corrosion repair of the Bassett Reservoir to ensure its continued reliability and longevity.



48" M-Line Replacement Project:

Replace approximately 6,800 linear feet of the 48" M-Line Pipeline from Rose Hills Gate 11 to Beverly Blvd. to enhance water flow and system integrity.

The Board of Directors also allocated a $430,000 capital improvement budget for FY 2024/2025 to support the following projects:

- $255,000 for reoccurring capital investments for water system production and distribution equipment and facilities and fleet vehicle replacements.
- $175,000 to rehabilitate the Well 3 pump, motor, and appurtenances.

By advancing these projects, the Company will be able to effectively meet current demands and accommodate future growth.

Governance

The Company, overseen by its six-member Board of Directors, is committed to regularly reviewing and updating its governance documents to align with current industry standards and organizational values.

As part of this ongoing process, the Company is developing several new policies for its Corporate Policy Manual, including:

Injury & Illness Prevention Program with COVID-19 Protocols:

This policy will establish comprehensive guidelines to ensure the health and safety of employees, incorporating protocols specifically designed to address any additional challenges posed by COVID-19 or another virus.

Diversity, Equity, and Inclusion (DEI) Policy Statement:

A new DEI policy will be introduced to promote a more inclusive and equitable workplace, reflecting the Company's commitment to fostering diversity and addressing systemic biases.

Privacy Policy for Cybersecurity Insurance:

This policy will outline measures to protect sensitive information and support the Company's cybersecurity insurance requirements, ensuring robust safeguards against data breaches and other security threats.

Additionally, the Company will update its Rules and Regulations Governing Water Service, addressing comments received from shareholders during the recent Bylaw amendment process and ensuring that the rules governing water service remain clear, fair, and responsive to shareholder concerns.

Regional Leadership & Strategic Partnerships

The Company's standing in the industry and region plays a critical role in advancing its goals and championing shareholder interests.

Key strategies include:

Collaboration with the Puente Basin Water Agency:

The Company will engage with the Puente Basin Water Agency, which includes the Rowland Water District and Walnut Valley Water District, to enhance water delivery reliability and efficiency.

Enhancing the President's Leadership Role:

Efforts will be made to elevate the President's profile, ensuring continued leadership within the region. By increasing visibility and leveraging the President's position, the Company will reinforce its industry influence and strengthen its advocacy efforts.

Fortifying the Company's position in the water sector while fostering stronger shareholder and stakeholder relationships will drive towards the successful realization of its strategic objectives.

San Gabriel River Watershed

Throughout the past year, local precipitation continued to increase groundwater levels and promote drought recovery in the Basin. FY 2023/2024 saw a total of 27.24 inches of rainfall in the San Gabriel Valley watershed, which was less than the dramatic 34.31 inches in FY 2022/2023 and significantly more than the 12.54 inches in FY 2021/2022. The trend of two consecutive years of above average precipitation and rainfall conservation by the Los Angeles County Flood Control District and Department of Public Works resulted in the spreading of 286,000 and 175,000 acre-feet of water for groundwater replenishment in the Basin in FY 2022/2023 and FY 2023/2024, respectively.

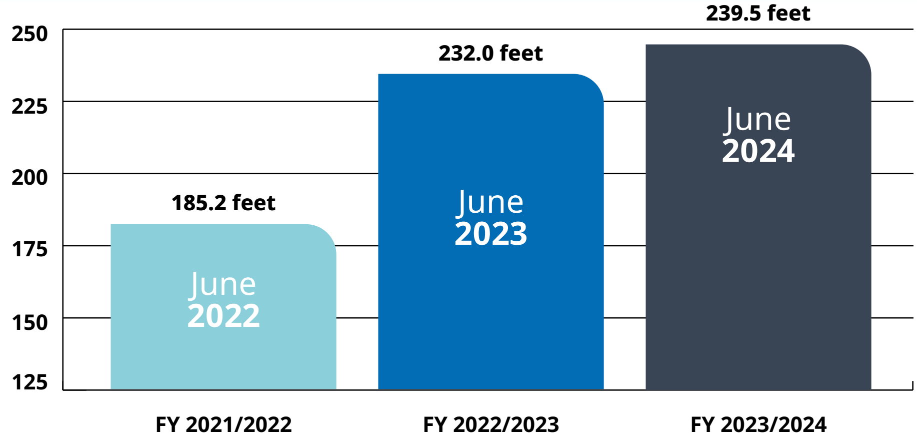
Due to these conservation and groundwater replenishment efforts, the Baldwin Park Key Well, used to indicate groundwater elevations throughout the Basin, **measured 239.5 feet in June 2024**. This is up from 232.0 feet in June 2023 and 185.2 feet in June 2022.

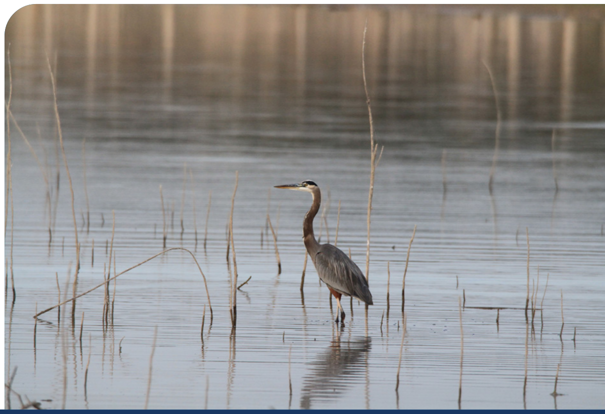
Basin Groundwater Elevation

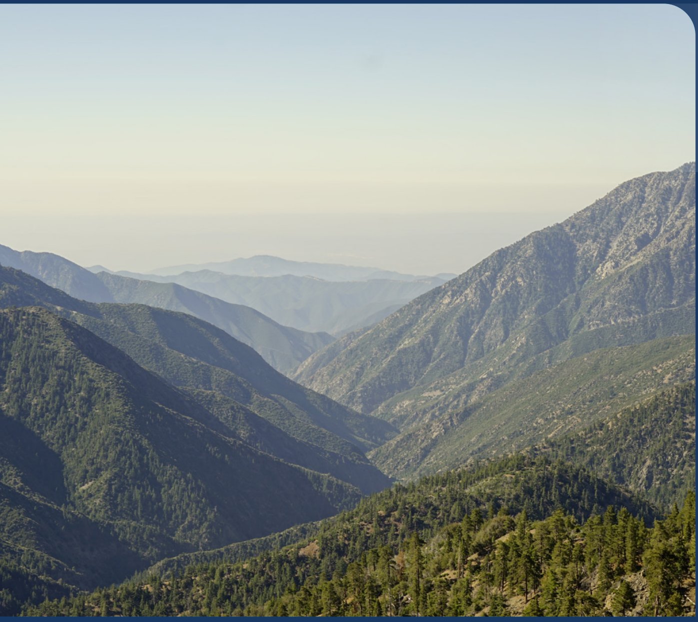
Normal Operating Range: 200 - 250 feet

Historic High: **295.3 | July 1983**

Historic Low: **169.4 | November 2018**

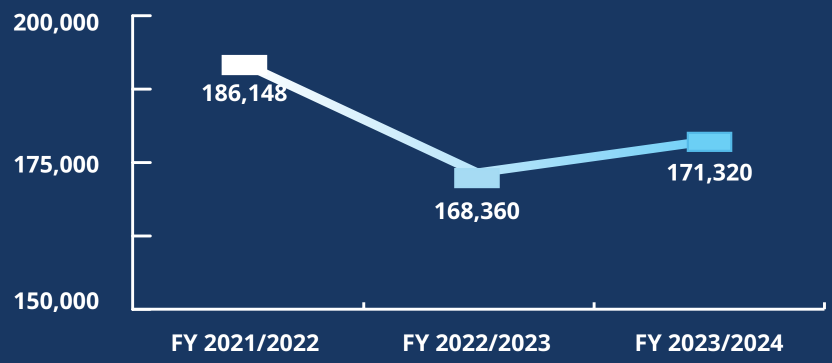






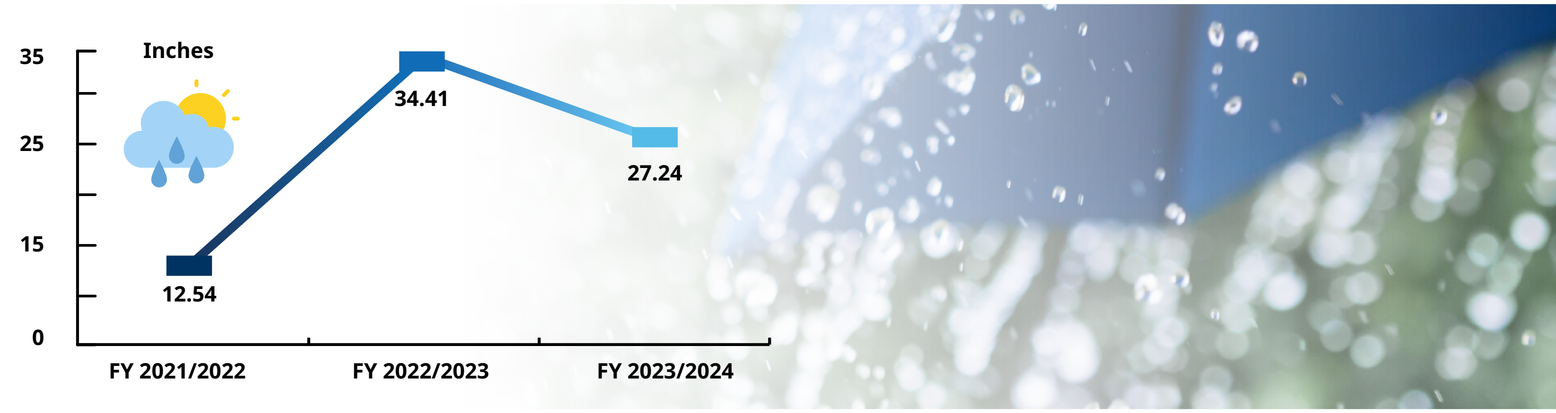
Total Groundwater Production from the Basin (includes surface water)

Water extracted to support supply needs.

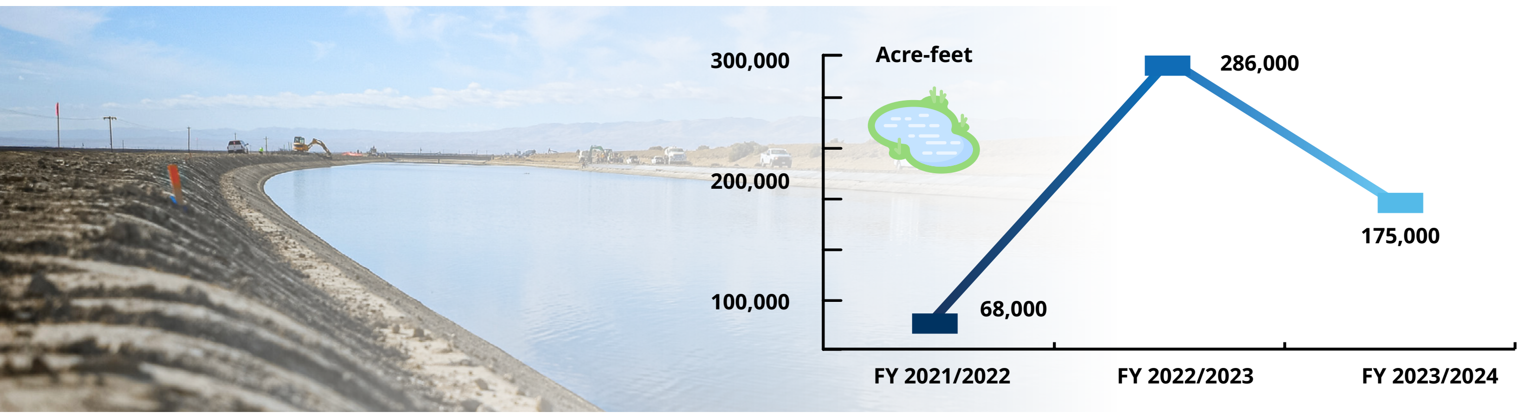


Increased Rainfall and Basin Drought Recovery

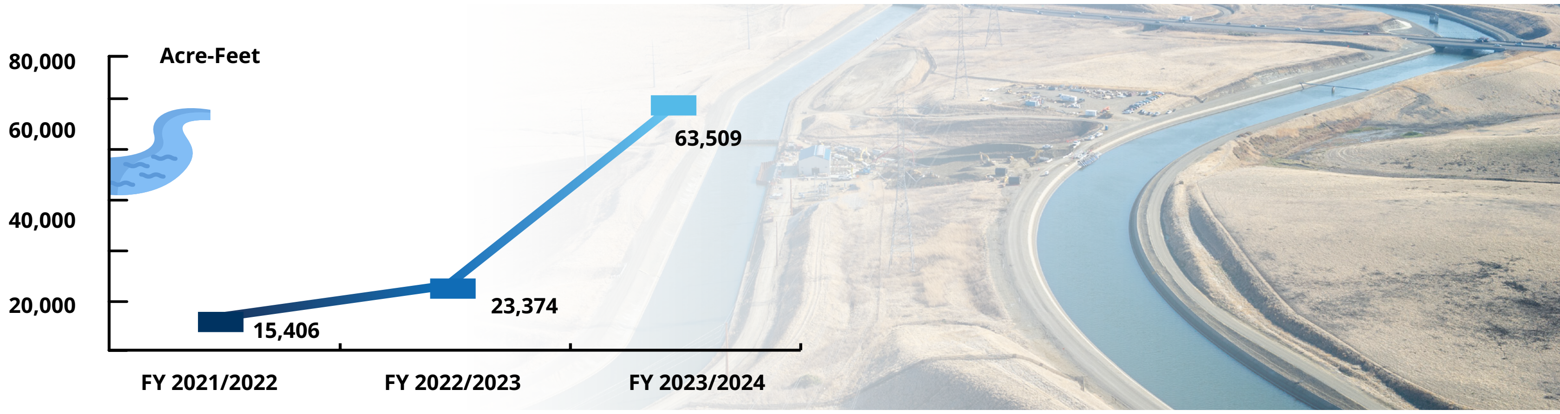
More wet years promote local drought recovery, reliability, and sustainability.



Local rainfall in the San Gabriel Valley watershed – Infiltration of rainfall on the valley floor.

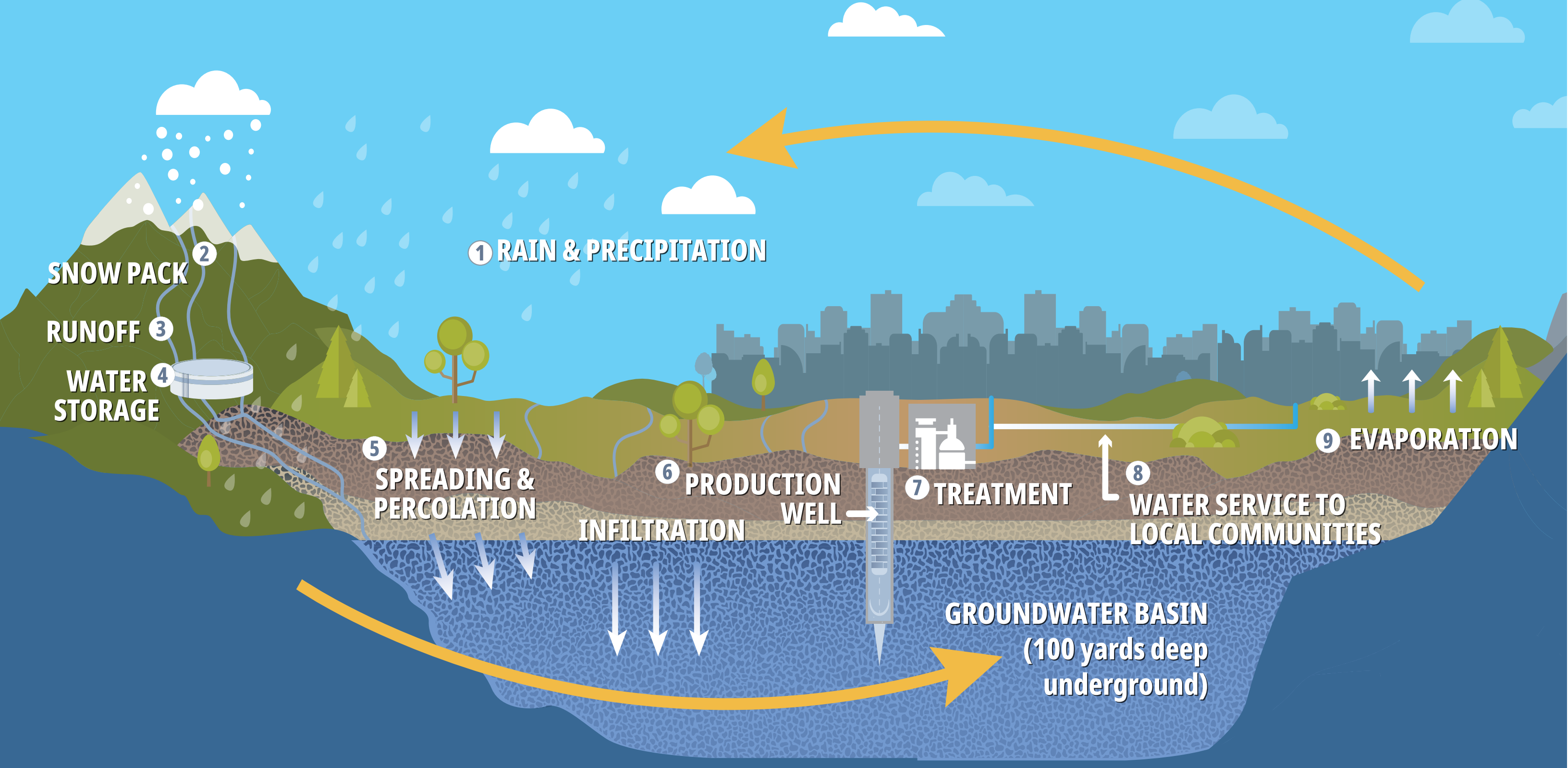


Groundwater replenishment: local rainfall conserved and spread in the Basin – Water storage and runoff captured to percolate into the ground for future use.



Untreated imported water delivered to the Basin, including replacement water, Resource Development Assessment (RDA) purchases, and pre-deliveries – Water purchased to supplement natural resources and local rainfall to achieve sustainable water levels in the basin.

Main San Gabriel Basin Water Cycle



1. **Rain and precipitation**

   Rain, snow, sleet or hail falls as surface water or soaks into the earth and becomes groundwater.

2. **Snowpack**

   Snow in the San Gabriel Mountains eventually melts and feeds the San Gabriel River (Upper Area) and Rio Hondo River (Lower Area) watersheds.

3. **Runoff**

   Water from melted snow or rain flows into storage facilities, conveyance facilities, the San Gabriel River (Upper Area), and the Rio Hondo River (Lower Area).

4. **Water storage**

   Runoff is stored in reservoirs for future spreading and groundwater replenishment.

5. **Spreading and percolation**

   Water storage and runoff from the adjacent mountains is captured in shallow ponds to percolate into the ground and replenish the Basin.

6. **Production well**

   The Company operates six active groundwater wells that supply water from the Basin.

7. **Treatment**

   The water is conveyed through a series of treatment facilities to ensure it meets or exceeds all Federal and State water quality regulations and standards.

8. **Water service to local communities**

   The water is delivered to shareholders through approximately 30 miles of pipeline beginning in the City of El Monte and stretching to the City of Brea.

9. **Evaporation**

   Water turns to vapor and enters the atmosphere.

MainSanGabrielBasin WATERMASTER

Adopts an Increase to the FY 2024/2025 Operating Safe Yield

For the first time in 10 years, the Main San Gabriel Basin Watermaster increased the annual Operating Safe Yield (OSY) of the Basin from 150,000 acre-feet to 160,000 acre-feet for FY 2024/2025. This follows two consecutive years of above-average local rainfall and significant increases in the Basin measured groundwater elevation.

Benefits to Shareholders:

Common Stock Entitlement Increase:
The Company realized a 6% increase in its water production rights used for supplying shareholder common stock entitlements. This increase in available water resources resulted in the Company increasing common stock entitlements from 1.45 acre-feet per share to 1.60 acre-feet per share for FY 2024/2025.

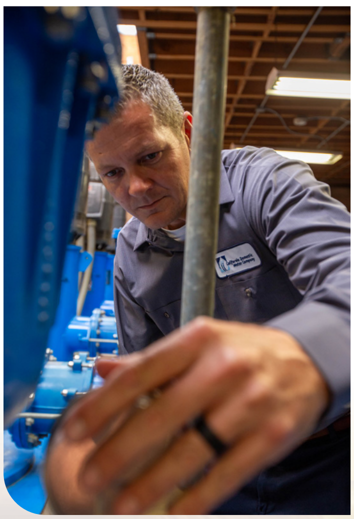
Cost of Water Supply Resources Decrease:
Shareholder demand for the Company's water supply in excess of entitlements decreased due to the increased Common Stock Entitlement rate. This directly translates into a decreased cost of water supply resources from the Company for shareholders.

Additional Water Rights Available to Lease:
The Company has direct access to lease additional water rights available on the market, offering additional water supply resource cost controls.

CELEBRATING THE TEAM

At Cal Domestic, our team is here to serve you! We applaud Adrian Woodard on 20 years of service.

Adrian Woodard, Senior Utility Worker



CALIFORNIA DOMESTIC WATER COMPANY AND SUBSIDIARY

JUNE 30, 2024 AND 2023

CONSOLIDATED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

CALIFORNIA DOMESTIC WATER COMPANY
AND SUBSIDIARY

CONTENTS

EGAN & EGAN
CERTIFIED PUBLIC ACCOUNTANTS
(877) EGAN 4 US EGANCPA.COM
Audit@egancpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
of California Domestic Water Company and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of California Domestic Water Company and Subsidiary ("the Company") which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Egan & Egan

September 6, 2024
Glendale, CA

CALIFORNIA DOMESTIC WATER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2024 AND 2023

ASSETS

	2024	2023
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,217,741	11,732,685
Accounts receivable	4,432,142	5,476,709
Due from responsible parties	722,889	467,528
Material and supplies	17,774	17,774
Prepaid water leases	16,751,989	14,291,425
Prepaid expenses and deposits	146,333	152,071
Total current assets	31,288,868	32,138,192
PROPERTY AND EQUIPMENT		
Land	339,347	339,347
Land improvements	1,037,000	1,013,359
Improvements in progress	5,209,340	3,373,309
Pumping plant, reservoirs, distributing systems and other	60,632,609	60,093,399
Machinery and equipment	81,487	81,487
Total property and equipment	67,299,783	64,900,901
Accumulated depreciation	(36,605,159)	(35,084,517)
Net property and equipment	30,694,624	29,816,384
NON-CURRENT ASSETS		
Owned water rights	9,460,321	9,210,321
Water rights investments	13,488,210	13,488,210
Total non-current assets	22,948,531	22,698,531
Total assets	$ 84,932,023	84,653,107

The accompanying notes are an integral part of these consolidated financial statements.

CALIFORNIA DOMESTIC WATER COMPANY AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2024 AND 2023

LIABILITIES AND SHAREHOLDERS' EQUITY

	2024	2023
CURRENT LIABILITIES		
Accounts payable	$ 6,956,911	6,289,522
Accrued expenses	4,036,117	4,298,892
Total current liabilities	10,993,028	10,588,414
NON-CURRENT LIABILITIES		
Deferred income	2,600,000	1,444,240
Deferred taxes payable	433,913	433,913
Total liabilities	14,026,941	12,466,567
SHAREHOLDERS' EQUITY		
Common stock, $50 par value, 10,000 shares authorized,8,327.75 and 8,351.25 shares issued and outstanding, respectively	416,387	417,562
Preferred stock, Class A, 10,000 shares authorized, 1,624.45 issued and outstanding	20,678,777	20,678,777
Retained earnings	49,809,918	51,090,201
Total shareholders' equity	70,905,082	72,186,540
Total liabilities and shareholders' equity	$ 84,932,023	84,653,107

The accompanying notes are an integral part of these consolidated financial statements.

CALIFORNIA DOMESTIC WATER COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Water sales	$ 13,284,233	14,474,035
Contributions from Baldwin Park Operable Unit	851,808	360,194
Assessments	833,866	810,468
Total operating revenues	14,969,907	15,644,697
OPERATING EXPENSES		
Purchased water	289,175	300,640
Power	1,972,059	1,918,714
System and volume	6,119,549	5,558,106
Water lease	5,210,180	5,542,520
General and administrative	1,321,085	1,296,458
Directors' fees	94,000	95,200
Depreciation	1,663,526	1,618,278
Total operating expenses	16,669,574	16,329,916
LOSS FROM OPERATIONS	(1,699,667)	(685,219)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	204,398	18,643
Rental income, net	51,667	48,275
Miscellaneous income, net	22,878	11,689
Investment income from water rights	530,461	498,042
Total non-operating revenues (expenses)	809,404	576,649
LOSS BEFORE INCOME TAXES	(890,263)	(108,570)
PROVISION FOR INCOME TAXES	10,965	29,296
NET LOSS	$ (901,228)	(137,866)

The accompanying notes are an integral part of these consolidated financial statements.

CALIFORNIA DOMESTIC WATER COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	Common Stock		Preferred Stock			
	Number of Shares	Amount	Number of Shares	Amount	Retained Earnings	Total
Balance, June 30, 2022	7,984.75	$ 399,237	1,624.45	$ 20,678,777	$ 45,657,217	$ 66,735,231
Redemptions of stock	(8.50)	(425)			(129,150)	(129,575)
Issuances of stock	375.00	18,750			5,700,000	5,718,750
Net loss					(137,866)	(137,866)
Balance, June 30, 2023	8,351.25	$ 417,562	1,624.45	$ 20,678,777	$ 51,090,201	72,186,540
Redemptions of stock	(23.50)	(1,175)			(379,055)	(380,230)
Net loss					(901,228)	(901,228)
Balance, June 30, 2024	8,327.75	416,387	1,624.45	20,678,777	49,809,918	$ 70,905,082

The accompanying notes are an integral part of these consolidated financial statements.

CALIFORNIA DOMESTIC WATER COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	$ (901,228)	(137,866)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	1,663,526	1,618,278
Gain on disposition of property and equipment	-	-
Changes in operating assets and liabilities:		
Accounts receivable	1,044,567	3,095,715
Due from responsible parties	(255,361)	160,478
Prepaid water leases	(2,460,564)	(1,690,570)
Prepaid expenses and deposits	5,738	(57,614)
Accounts payable	667,389	1,970,850
Accrued expenses	(262,775)	(484,639)
Deferred income	1,155,760	1,444,240
Net cash provided by operating activities	657,052	5,918,872
NET CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property and equipment	(2,541,766)	(2,013,739)
Purchase of owned water rights	(250,000)	-
Net cash used by financing activities	(2,791,766)	(2,013,739)
CASH FLOW FROM FINANCING ACTIVITIES		
Sales of common stock	-	5,718,750
Redemptions of common stock	(380,230)	(129,575)
Net cash provided (used) by financing activities	(380,230)	5,589,175
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,514,944)	9,494,308
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,732,685	2,238,377
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,217,741	11,732,685

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for income taxes	$ 18,000	37,500

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – Overview and significant accounting policies

Overview
California Domestic Water Company, a California corporation ("CDWC"), is a private mutual water company which provides water primarily to wholesale customers in east Whittier, La Habra and Brea. Its wholly owned subsidiary, Cadway, Inc., a California corporation ("Cadway"), owns and leases certain water rights to CDWC. Collectively CDWC and Cadway are referred to as the Company. CDWC sells wholesale water to three of its shareholders. These sales accounted for approximately 92% and 93% of the Company's water revenues for the years ended June 30, 2024 and 2023, respectively.

Basis of consolidation
The consolidated financial statements of the Company include the accounts of CDWC and Cadway. All material intercompany accounts and transactions have been eliminated in consolidation.

Revenue recognition
Revenue from water sales is recognized monthly based on meter readings performed at the end of each month. Assessments are billed to all customers three times a year based on the number of shares of common stock owned. Assessments are recognized upon billing. There are no separate distinct performance obligations identified by management. Accordingly, the practical expedient for recording revenue from assessments is used.

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 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. Management believes that the estimates used in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Cash and cash equivalents
For purposes of the statement of cash flows, the Company considers all investment instruments purchased with an original maturity of three months or less, which are readily convertible to known amounts of cash, to be cash equivalents.

The Company currently maintains cash in bank accounts that may, at times, exceed Federally insured limits. The Company makes an effort to avoid significant concentrations of bank deposits and has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risks on cash in bank accounts.

NOTE 1 – Overview and significant accounting policies, continued

Accounts receivable

Accounts receivable are recorded as billed. Company management has determined that accounts receivable were fully collectible; therefore no allowance for credit losses was recorded at June 30, 2024 and 2023.

Prepaid water leases and lease expense

Prepaid water leases typically last for one production year and are recorded at cost. Water lease expense is determined on a first-in, first-out basis, and is based on the total amount of water produced by the Company and delivered to the system.

Property and equipment

Property and equipment are recorded at cost and includes property contributed by others which is recorded at fair value at the time of contribution. Major renewals are charged directly to the property and equipment accounts, while replacements, maintenance and repairs which do not improve or extend the useful lives of the assets are expensed currently. For financial statement purposes, depreciation is computed using the straight-line method, and accelerated methods for income tax purposes over the estimated useful lives of the related assets, which range from 3 to 40 years, or over the term of the related lease for leasehold improvements, if shorter.

Improvements in progress

Improvements in progress are included within property and equipment. Amounts are recorded at cost. Upon completion of the project, the asset is transferred into the applicable category within property and equipment.

Long-lived assets

Long-lived assets of the Company are reviewed annually as to whether their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the future projected cash flows from related operations. Management also re-evaluates the periods of depreciation to determine whether subsequent events and circumstances warrant revised estimates of useful lives. As of June 30, 2024, management expects these assets to be fully recoverable.

Owned water rights

Owned water rights are capitalized at cost and not subject to amortization. In the opinion of Company management, the value of such rights have not sustained an impairment.

Water rights investments

Water rights investments include the Company's interest in the Co-Tenancy of Laurence R. Pellissier Irrevocable QTIP Trust, et al (the "Co-Tenancy"). The Company receives annual payments of the Co-Tenancy's income based on its proportionate ownership. As of June 30, 2024 and 2023, the Company owned 24.74% of the water rights of the Co-Tenancy. The investments are accounted for using cost method, and investment income received from water rights investments is included in non-operating (revenues) expenses, investment income from water rights in the consolidated statements of operations.

NOTE 1 – Overview and significant accounting policies, continued

Income taxes

The Company utilizes the asset and liability approach to financial accounting and reporting for income taxes as required by current accounting standards. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities, if any, are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce deferred tax asset accounts to the amounts that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period, and the net change in the deferred tax asset and liability accounts. Deferred income taxes liability is due to the recognition of a gain for financial statement purposes that was deferred for income tax reporting purposes, on a transaction occurring in a prior year.

CDWC is exempt from Federal income tax under Internal Revenue Code Section 501(c)(12). For the State of California, a corporate tax liability results from the excess of revenues over expenses unrelated to the Company's primary business purpose. Cadway is treated as a C Corporation for Federal and State tax purposes.

The accounting standard for accounting for uncertainty in income taxes clarifies the accounting and disclosure for uncertain tax positions. It prescribes a recognition threshold measurement in the financial statements of a tax position taken or expected to be taken in a tax return of the entity. In examining its tax positions under this standard, the Company assumes its positions will be examined by the appropriate taxing authority, and the taxing authority will have full knowledge of all relevant information. The technical merits of the Company's tax positions are derived from sources of authorities in the tax law (legislation and statutes, legislative intent, regulations, rulings, and case law) and their applicability to the facts and circumstances of the tax positions. Past administrative practices and precedents of the taxing authority in its dealings with the Company and similar enterprises that are widely understood have also been considered. Each tax position has been evaluated without consideration of the possibility of offset or aggregation with other positions.

Based on this evaluation, no unrecognized tax benefits have been recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No penalties or interest related to income taxes have been incurred during the years ended June 30, 2024 and 2023.

Subsequent events

The Company evaluated all events and transactions that occurred after June 30, 2024 up through the date these financial statements were available to be issued on September 6, 2024. No material subsequent events required disclosures.

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NOTE 2 – Prepaid water leases

The Company acquires and utilizes water pumping right leases annually to supplement its annual water usage requirements. Leased water that is unused can be carried over to subsequent year. As of June 30, 2024 and 2023, the prepaid water leases balance consisted of unused water leases and cyclic storage water carried forward to future years

A summary of the Company's changes in the prepaid water lease account is as follows:

FOR THE YEAR ENDED JUNE 30, 2024			
Balance at July 1, 2023	Additions	Expensed	Balance at June 30, 2024
$ 14,291,425	$ 9,343,847	$ (6,883,283)	$ 16,751,989

FOR THE YEAR ENDED JUNE 30, 2023			
Balance at July 1, 2022	Additions	Expensed	Balance at June 30, 2023
$ 12,600,855	$ 8,831,989	$ (7,141,419)	$ 14,291,425

NOTE 3 - Property and equipment

Improvements in progress consist of:

	AS OF JUNE 30, 2024		AS OF JUNE 30, 2023	
	Costs to Date	Total Budget	Costs to Date	Total Budget
Treatment	$ 5,014,943	$ 5,350,000	$ 2,863,958	$ 4,330,000
Distribution	33,016	33,500	33,017	33,500
Other projects	161,381	209,400	476,334	489,500
	$ 5,209,340	$ 5,592,900	$ 3,373,309	$ 4,853,000

NOTE 4 - Line of credit

Effective March 19, 2024, the Company renewed a $4,500,000 line of credit .The line matures March 31, 2026. Borrowings bear interest at the bank's prime rate plus 0.5% with a floor rate of 8.50% (At June 30, 2024, the prime rate was 8.50%). There were no outstanding balances as of June 30, 2024 and 2023. This line of credit is subject to certain financial and nonfinancial covenants. Management believes the Company was in compliance with all covenants as of June 30, 2024 and 2023. The lines of credit are secured by substantially all assets of the Company and an assignment of 3,750-acre feet of water rights.

NOTE 5 - Employee benefit and deferred compensation plans

The Company maintains a 401(k) Plan, which covers all employees who have completed 90 days of service. Eligible employees may elect to contribute up to the amounts as established by the Internal Revenue Code for defined contribution plans. The Company may contribute to the Plan on behalf of the employees at its discretion. The Company's contributions for the years ended June 30, 2024 and 2023 were $135,443 and $123,221, respectively.

The Company sponsors the CDWC/Cadway, Inc. Nonqualified Deferred Compensation Plan under Section 409A of the Internal Revenue Code for all members of management as designated by the Company. The plan permits participants to make elective deferrals with no limitation which are 100% vested at all times. A participant's nonelective contribution account vests on a rolling basis with a 2 year cliff vesting for each contribution and full vesting upon reaching 10 years of participation in the Plan. The Company's expense was $29,021 for each of the years ended June 30, 2024 and 2023.

NOTE 6 – Provision for income tax

Income tax primarily consists of tax on unrelated business income of CDWC. At June 30, 2024 and 2023, income taxes are as follows:

	FOR THE YEARS ENDED JUNE 30, 2024	2023
State	$ 6,174	20,848
Federal	4,791	8,448
	$ 10,965	29,296

Deferred tax liabilities have been provided for taxable temporary differences related to an unrealized gain from a 1031 exchange involving water rights. The deferred tax liability was $433,913 for both years ended June 30, 2024 and 2023. The Federal and State tax returns are open for audit by the tax authorities for three and four years, respectively, after the filing date of the returns.

NOTE 7 – Leases

During October 2005, the Company entered into an easement agreement with the City of Whittier under which the Company constructed a pipe for the transportation of water.

Annual payments range from $50,000 to $65,000 over the lease term with an expiration date of October 2105. During each year ended June 30, 2024 and 2023, lease expense related to the easement agreement was $50,000.

At June 30, 2024, future lease payments are as follows:

Years Ending June 30,		Amount
2024	$	50,000
2025		50,000
2026		50,000
2027		50,000
2028		50,000
THEREAFTER		4,550,000
	$	4,800,000

On July 1, 2015, the Company entered into an agreement with one of the shareholders for purposes of temporarily leasing grounds and rights to use of the driveway as part of a future land use swap. The agreement will continue until June 30, 2045, or until the swap is finalized. During each year in the years ended June 30, 2024 and 2023, rental income was $69,240.

NOTE 8 - Directors' expense

The Corporate Policy Manual provides the Board of Directors a stipend for attending eligible meetings up to a maximum of eight meetings a month for service to CDWC. Cadway, Inc. Directors were compensated at a fixed stipend of $600 a month. The adopted compensation structure offers members of the Board of Directors potential earnings of $26,400 a year. Directors do not receive fringe benefits or retirement contributions. The directors' expense was $94,000 and $95,200 for the years ended June 30, 2024 and 2023, respectively.

NOTE 9 - Common stock

During the year ended June 30, 2023, certain existing shareholders purchased 375 additional shares of the Company's common stock for $15,250 each share. The total received from the existing shareholders was $5,718,750.

NOTE 10 - Preferred stock

The Company has authorized 10,000 shares of Class A Preferred Stock. At June 30, 2024 and 2023, 1,624.45 shares were issued and outstanding.

The preferred stock provides the shareholder with an exclusive use of water from the Company based on ownership. Entitlements with preferred stock ownership are represented in the proportion of the exclusive use of one acre-foot of water rights per share of preferred stock owned. However, in the event the Company's right to exercise any water rights associated with the shares of preferred stock is limited pursuant to the provisions of any court judgment governing the applicable groundwater basin, then the shareholder's entitlement to use of those water rights shall be proportionately adjusted. For years ended June 30, 2024 and 2023, the Watermaster Board of Directors determined an Operating Safe Yield of 150,000 acre feet. As a result, the entitlement proportion applicable under the judgment of the Main San Gabriel Basin is 0.758977 acre-feet per share of Class A Preferred Stock owned which is computed by dividing the Operating Safe Yield by 198,000 acre-feet.

NOTE 11 - Baldwin Park Operable Unit Agreement

Effective May 9, 2017, CDWC renewed an agreement with various parties related to groundwater contamination in the Baldwin Park Operable Unit of the San Gabriel Valley for a ten-year period. The agreement (referred to as BPOU) provides that the Company and five other water entities, would receive funds over an original period of 15 years to fund reasonable and necessary costs of design, construction, operations, maintenance and management of water supply treatment projects, as well as certain past costs previously incurred on such projects.

The settlement agreement provides that pollution remediation expenses associated with BPOU are the responsibility of the polluting agents ("responsible parties") identified in the agreement. As a result, amounts paid by the Company on behalf of the responsible parties are reported as a receivable due from the responsible parties in order to differentiate those amounts from the expenses recorded by the Company. Reimbursements of such amounts advanced by the Company are recorded as a reduction to the receivable upon receipt.

As of June 30, 2024 and 2023, approximately $55,839,000 and $53,519,000 has been received by the Company related to this agreement, respectively and cumulatively, which were used to pay the pollution remediation costs for which the polluting agents were responsible. Approximately $2,320,000 and $2,180,000 was received during the years ended June 30, 2024 and 2023, respectively, of which approximately $851,800 and $360,000 was recognized as revenue in the accompanying consolidated statements of operations with the remaining as reimbursement of costs.

NOTE 12 - Related parties

The Company performs accounting services for CAL-WAMANCO, LLC. Fees paid to the Company for each of the years June 30, 2024 and 2023 were $5,400.

NOTE 13 - Commitments and contingent liabilities

Contingent Liabilities
The Company is subject to various legal matters in the ordinary course of business. After taking into consideration legal counsel's evaluation of these matters, Management has determined that the resolution of these matters will not have material adverse effect on the Company's consolidated financial statements and accordingly a provision for loss was not recorded.

Commitments
The Company has received grant funding for a well treatment facility from the San Gabriel Basin Water Quality Authority (“WQA”) under a water quality program using Federal funds. The approved award amount totals $2,600,000. Grant funds are received upon proof of incurred expenses and progress payments made to vendors in accordance with the terms of the grant and approval by WQA. At June 30, 2024, improvements in progress include $4,555,337 for project. The Company records receipt of grant funds as deferred revenue to be recognized throughout the useful life of the treatment facility.

The Company will enter into construction contracts to move a water line as required by Los Angeles County Sanitation Districts. The amount is expected to be $750,000.

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Bank of Amer.
B.S.Smallwood
A.Hunter
J.Sterns & Sons
D.J.Bastanchury
Union Bank & Tr. Co
W.F.Espolt et al
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La Habra Ranch
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Oleney
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J.E. Stuart
Union Oil Co
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E.V. Williams 9.32 A
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W.W. Beckwith 11.72 A
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J.M. Randall 10A
N.T. Edgards 22A
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Walling
I.T. Morris
E. Johnson
G. Buchlman
R.L. Scott
M. Hodson
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N.M. Launer 752A
J.C. Arnold
Mackay Pickering 7.60A
D.H. Greiger
B.B. Schan
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M.B. Johnson
B.W. Elliott 17.54A
W.Z. York
Sargent Ranch Co
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Consol. Inv. Co.
Clair M. Cheney 15.94A
L.A. Welch
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A. Hunter 32.28A
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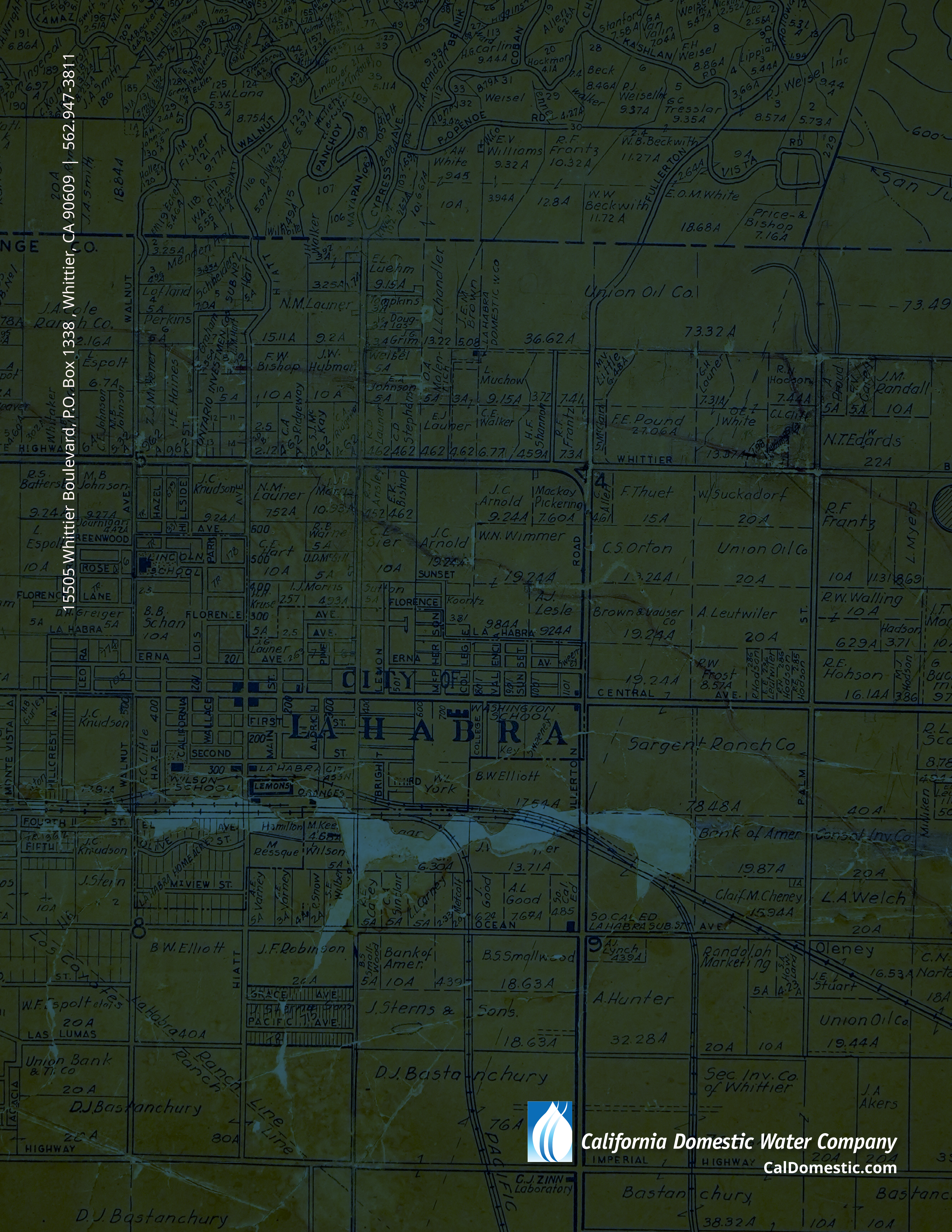
Line



15505 Whittier Boulevard, P.O. Box 1338, Whittier, CA 90609 | 562.947-3811

California Domestic Water Company

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