



SHAREHOLDERS REPORT FOR THE OPERATING YEAR 2024–25

FINANCIAL

The Company continues to closely monitor expenditures and manage operations within the adopted budget. A separate financial statement for the 2024–25 fiscal year is attached. An annual financial review is currently in preparation by the office of Gail Egan, CPA, and will be made available upon completion.

Water toll revenues were sufficient to meet operating expenses during the 2024–25 fiscal year. The basic monthly service-ready fee of \$37.00 is charged to each meter and includes 250 cubic feet of water per share owned. Usage beyond this allocation is billed at graduated rates ranging from \$2.05 to \$28.00 per hundred cubic feet. These graduated rates were adopted in October 2024 to address increased electrical costs and the added operational expenses associated with extended drought conditions.

Regular assessments of \$70.00 per share, levied in January and July, were sufficient to fund capital improvement needs. No additional assessment was required in 2025. Assessment revenues have been set aside for the nitrate reduction project.

A loan repayment fee of \$38.25 per share continues to be included in the monthly billing to repay the State Water Resources Control Board (SWRCB) loan in the original amount of \$493,200, issued in 2020 at an interest rate of 1.9%. As of October 31, 2025, the remaining principal balance was \$354,470.38. Total remaining principal and interest is \$327,357.46, with the 2026 payment of \$55,559.58 already made. Loan repayment is scheduled to conclude in 2032. The Board reviewed budget activity for 2025 and ensured that all nitrate-related fees collected but not yet expended were transferred into sequestered accounts.

Capacity charges were received from the sale of three meters and deposited into the New Development Fund to support future system improvements.

Meter installation charges remain unchanged from 2024 and are determined by meter size. The basic cost for a 5/8" meter is \$6,500; 3/4" meter \$7,800; 1" meter \$9,750; 1.5" meter \$21,950; 2" meter \$32,500; 3" meter \$44,950; 4" meter \$80,000; and 6" meter \$180,000. These charges include a standard installation fee of \$2,500 and a capacity charge that increases with meter

size. An additional \$1,000 installation charge applies when service installation requires crossing a roadway. Requests for meters larger than 1" are subject to Board approval.

OPERATIONS

Mr. Paul Kirkland has served as President of the Devore Water Company since February 2024 and continues to perform volunteer General Manager duties. He oversees daily operations and authorizes specific work activities. Routine maintenance, minor leak repairs, flushing, and meter reading are performed by Mr. Brandon Goldman and Mr. Trent Slobom. Major repairs and system upgrades are completed by contracted service providers.

Chlorination is performed under the supervision of Mr. Goldman. Water quality sampling and laboratory analysis are conducted by Clinical Laboratory of San Bernardino under contract.

The Company has 735 shares issued, held by 476 shareholders. The Company currently holds 31 relinquished shares, which will be offered for sale in the future.

Water from mountain springs and lateral wells is conveyed to reservoirs and distributed throughout the system by gravity. Supplemental water is pumped from vertical wells as needed, requiring electrical power. During the 2024–25 period, approximately 80% of system water was gravity-fed, with the remaining 20% supplied through pumping. Meters are installed to measure all water sources and reservoir overflows to improve system accountability and loss detection.

NEW DEVELOPMENT PROJECTS

Efforts toward a long-term nitrate solution for Wells 2A and 3 continued during the reporting period. The Rancho Booster Pump project intended to improve fire flow capacity was bid through the SWRCB; however, when bids exceeded the grant amount, the project was cancelled by the funding agency.

The SWRCB sanitary survey received in 2024 resulted in approximately 97% of identified issues being addressed. Nitrate reduction remains the most significant outstanding compliance issue.

STATE OF THE SYSTEM

Total community water sales for the 2024-25 operating year were approximately 12,537,815 cubic feet. Water quality remains high, with no contamination detected in any qualified samples.

To protect system integrity, shareholders are reminded that the dumping of industrial chemicals, pesticides, herbicides, automotive fluids, acids, or radioactive substances is strictly prohibited. Any observed dumping activity in Devore or the upstream watershed should be reported immediately to the Company office.

Proper backflow protection is essential to prevent contamination during low-pressure events. Approved anti-siphon devices must be correctly installed on all irrigation systems and animal

watering facilities. The use of hoses submerged in animal troughs is prohibited under County and State health regulations and should be reported if observed.

The Annual Water Quality Report will be distributed to customers in June 2026.

WATER CONSERVATION

The Board of Directors is committed to meeting the health and sanitary needs of all water users in good standing while maintaining adequate water storage for fire protection. To conserve water and reduce electrical costs associated with pumping during peak demand periods—when Southern California Edison charges higher daytime rates—shareholders are encouraged to minimize outdoor irrigation between **11:00 a.m. and 7:00 p.m.**

Water availability during the upcoming summer will depend largely on rainfall received in late 2025 and early 2026. Shareholders are also asked to avoid irrigation on windy days, when water loss due to evaporation and overspray is significant. In addition, irrigation should be discontinued during nearby brush fires so that storage tanks can be preserved for emergency fire-fighting needs. Irrigation should also be avoided during power outages, as pumping operations cannot function without electricity.

LEAKS

Shareholders are encouraged to routinely check for leaks. If a water meter continues to register usage after all faucets and fixtures have been turned off, a leak is likely present and should be repaired promptly. If assistance is needed, please contact the Company office.

OFFICE INFORMATION

The Company's mailing address is **18185 Kenwood Avenue, Devore, CA 92407**. The office and maintenance facility are located on the southeast corner of Kenwood Avenue and Redwood Lane, with office access from Redwood Lane.

Office hours are **Monday through Thursday, 9:00 a.m. to 4:00 p.m.**, excluding legal holidays. The main office telephone number is **(909) 887-3310**. The after-hours emergency number is **(909) 709-3113**. For customer convenience, a secure drop box is available near the gate at the office entrance.

Shareholders interested in buying or selling water shares may leave their contact information with the office.

Individuals interested in serving on the Board of Directors are encouraged to contact the office. The Company welcomes local community members with experience in clerical services, finance, electrical systems, piping, engineering, management, planning, maintenance, computers, and data systems.

LIST OF DIRECTORS & STAFF

Directors:	President	Paul Kirkland
	Vice-President	Julie Costa
	Secretary-Treasurer	Doug Claflin
		Steven Avila
		Brian Gilbert
		Bill Klapp
		Mario Leos
Simon Horton		
Staff:	General Manager Office	Paul Kirkland
		Michelle Kirkland
Maritza Hernandez		
	Maintenance	Brandon Goldman
		Trent Slobom



FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

OCTOBER 31, 2025 AND 2024

EGAN & EGAN
Certified Public Accountants

DEVORE WATER COMPANY

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Devore Water Company
Devore, California

We have reviewed the accompanying financial statements of Devore Water Company (a California corporation) which comprise the statements of financial position as of October 31, 2025, and 2024 and the related statements of operations, shareholders' equity, and cash flows for the years 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.

Egan & Egan

February 9, 2026

DEVORE WATER COMPANY

STATEMENT OF FINANCIAL POSITION

OCTOBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 1,356,465	910,749
Accounts receivable, net	100,372	100,372
Materials and supplies	1,000	1,000
Prepays	<u>11,857</u>	<u>11,075</u>
Total current assets	1,469,694	1,023,196
PROPERTY AND EQUIPMENT, net	<u>1,500,562</u>	<u>1,587,676</u>
Total assets	<u>\$ 2,970,256</u>	<u>2,610,872</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	15,914	-
Current portion of long-term debt	<u>\$ 47,825</u>	<u>46,933</u>
Total current liabilities	<u>63,739</u>	<u>46,933</u>
LONG-TERM DEBT, less current portion	<u>306,645</u>	<u>354,470</u>
Total liabilities	370,384	401,403
SHAREHOLDERS EQUITY		
Common stock, no par, 1,800 shares authorized	159,848	159,848
Contributed capital	1,169,521	724,076
Retained Earnings	<u>\$ 1,270,503</u>	<u>1,325,545</u>
Total shareholders' equity	<u>2,599,872</u>	<u>2,209,469</u>
Total liabilities and shareholders' equity	<u>\$ 2,970,256</u>	<u>2,610,872</u>

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

DEVORE WATER COMPANY
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

	Common Stock Issued		Contributed Capital	Retained Earnings	Total
	<u>Shares</u>	<u>Amount</u>			
As of November 1, 2023	735	\$ 159,848	\$ 295,128	\$ 1,312,647	\$ 1,767,623
Net income				12,898	12,898
Collected for capital and debt repayment Assessments			327,441 101,507		327,441 101,507
As of October 31, 2024	735	\$ 159,848	\$ 724,076	\$ 1,325,545	\$ 2,209,469
Net loss				(55,042)	(55,042)
Collected for capital and debt repayment Assessments			342,545 102,900		342,545 102,900
As of October 31, 2025	<u>735</u>	<u>\$ 159,848</u>	<u>\$ 1,169,521</u>	<u>\$ 1,270,503</u>	<u>\$ 2,599,872</u>

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

DEVORE WATER COMPANY

STATEMENT OF OPERATIONS

FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
New water service, meter fees, late fees	\$ 540	48,416
Metered Water	540,230	562,216
Total revenues	<u>540,770</u>	<u>610,632</u>
OPERATING EXPENSES		
Operating and maintenance	252,950	273,240
General and administrative	170,643	155,382
Insurance	11,815	25,575
Utilities	64,662	39,527
Total operating expenses	<u>500,070</u>	<u>493,724</u>
Operating income	40,700	116,908
INTEREST EXPENSE	(7,828)	(19,485)
DEPRECIATION EXPENSE	<u>(87,114)</u>	<u>(83,725)</u>
Net income before provision for income taxes	(54,242)	13,698
PROVISION FOR INCOME TAXES	<u>800</u>	<u>800</u>
Net (loss) income	<u>\$ (55,042)</u>	<u>12,898</u>

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

DEVORE WATER COMPANY

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ <u>(55,042)</u>	<u>12,898</u>
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation	87,114	83,725
Changes in assets and liabilities:		
Accounts receivable	-	13,423
Prepaid expenses	(782)	(1,300)
Accounts payable	-	(23,522)
Total adjustments	<u>86,332</u>	<u>72,326</u>
Net cash provided by operating activities	<u>31,290</u>	<u>85,224</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>-</u>	<u>(221,718)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(31,019)	(35,075)
Assessments and collection for capital and debt payments	<u>445,445</u>	<u>428,948</u>
Net cash provided from financing activities	<u>414,426</u>	<u>393,873</u>
Net increase in cash	445,716	257,379
CASH, Beginning of year	<u>910,749</u>	<u>653,370</u>
CASH, End of year	<u>\$ 1,356,465</u>	<u>910,749</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR FOR:		
Interest	\$ <u>7,828</u>	<u>19,485</u>
Income taxes	<u>\$ 800</u>	<u>800</u>

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

DEVORE WATER COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Devore Water Company ("the Company") is a California corporation that was incorporated July 9, 1910 to supply water to a portion of Devore, California. The Company operates as a mutual water company. It is recognized as a 501(c)(12) tax-exempt entity by the Internal Revenue Service.

To receive water from the Company, a minimum one share of stock is required for each meter. Stock is assigned to a specific property.

Cash

The Company considers cash and savings accounts 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.

The Company maintains cash accounts to separate its operating cash from its debt service cash and cash designated for water system replacement.

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. Management believes that all outstanding accounts receivable are collectible in full, net of the allowance for credit losses that has been provided. At October 31, 2025 and 2024, the Company maintains an allowance for credit losses of \$30,000. A semi-annual fee of \$70 is assessed for capital projects and \$38.25 monthly fee for each meter is charged for loan repayment.

Property and Equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 years to 30 years.

Revenue Recognition

The Company recognizes revenue from water sales upon billing water delivered to the customer and due within thirty days of billing. Grants received are recognized as revenue upon completion of the performance obligation under the grant.

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.

DEVORE WATER COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2025</u>	<u>2024</u>
Land	\$ 9,100	9,100
Buildings	64,719	64,719
Water system	1,719,761	1,719,761
Mains	1,956,335	1,956,335
Equipment, furniture and vehicles	<u>156,425</u>	<u>156,425</u>
	3,906,340	3,906,340
Accumulated depreciation	<u>(2,405,778)</u>	<u>(2,318,664)</u>
	<u>\$ 1,500,562</u>	<u>1,587,676</u>

NOTE 3 – PROVISION FOR INCOME TAX

The Company is exempt from tax for Federal purposes under Internal Revenue Code Section 501(c)(12) and subject to tax on its unrelated business income. The Company is a taxable corporation for the State of California but under the Revenue and Tax Code Section 24405 it is allowed a deduction for the amount of net income from its shareholders. For the years ended October 31, 2025 and 2024, the provision for income tax consists of the minimum California Franchise Tax. 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 - SOURCE OF SUPPLY

The Company currently obtains its water from ground water, springs and its wells. The quality of this water and the ability to deliver it to its customers is subject to Federal and State safe drinking water requirements. To the extent that this water quality does not meet or exceed Federal standards, the Company must either further process this water to meet these standards or purchase water from other suppliers to supplement its source of supply. Accordingly, the cost of water may increase. The Company may be required to incur the significant expense of cleaning contaminants from surface groundwater. No provision for these costs, if any, are provided for in these accompanying financial statements as the amounts are not reasonably estimable.

DEVORE WATER COMPANY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

The Company obtained a \$493,200 loan from the California State Water Resources Control Board to fund improvements to the Company's water system. The loan requires an annual payment of principal and interest of \$54,560. The loan matures January 31, 2032 and bears interest at the annual rate of 1.9%

Future minimum principal payments are as follows:

YEARS ENDED	
<u>OCT 31,</u>	
2026	\$ 47,825
2027	48,733
2028	49,659
2029	50,603
2030	51,564
Thereafter	<u>106,086</u>
	<u>\$ 354,470</u>

NOTE 6 - SUBSEQUENT EVENT

The Company has evaluated subsequent events through the date the financial statements were available to be issued, February 9, 2026. No material subsequent events required disclosure.