

MINUTES OF THE ANNUAL MEETING OF L. A. WATER COOPERATIVE HELD MARCH 27, 2024, AT THE GASTON FIRE HALL, GASTON, OR 97119

BOARD MEMBERS PRESENT: Tom Gunn, Linda Fountain, Lisa Dutz, David McAdams, Terry Wymore, Ted Leach, Amber Morgan, and Don Wicks

BOARD MEMBERS ABSENT: Joel Mulkey

STAFF PRESENT: Jason Bayne, Matt Jackson, & Kylie McDermott

MEMBERS PRESENT:

The meeting was called to order at 7:00 PM by Don Wicks. Don welcomed all Co-op members and gave an overview of the meeting agenda. The Board members and staff were introduced.

Treasurer's Report: The 2022 and 2023 Financial Statements and Supplementary Information were handed out to all members in attendance.

System Status

Jason Bayne (Operations Manager) presented a slide showing water certificate information.

- System Overview – the Co-Op delivered 68,248,590 gallons of water to 798 member households in 2023.
- Water Source – Hillsboro Water Department is part of a major project to transition current water sources to the Willamette River. Expect to complete transition by 2026.
- 2022 Water Quality – All 2023 tests were passed. The 2023 results will be published July 1, 2024.
- 2023 Accomplishments:
 - Completed Rock Quarry Line and Langley Line
 - Leak detection and repairs
 - Mainline PRV repairs and maintenance
 - Installed Mission SCADA at 6 stations
 - Installed Diamond Maps

Water loss comparison – Water loss climbs from 30% to 36%. That amount of loss is standard especially for an aging system. Other rural systems are about 20-25%.

You the Members

- Members are very important for reporting suspected leaks. The new meter system is also helpful in identifying potential leaks.

2024 and Beyond

- Installing a 260,000-gallon tank on the valley floor and a new pump station at Jordan Reservoir.

- Continue installing Mission SCADA Systems for our Pump houses so we can 24/7 monitor our equipment, adjust as needed, and prevent water outages.
- Installing a new waterline on Gaston Road so we can abandon Asbestos Pipe that runs under the Tualatin River twice. The new line will be a 10" HDPE.
- Jordan, Gammon, and Lambert will be getting a new epoxy coating, and the rest of the tanks will get cleaned.
- Continuing to seek out and repair leaks to minimize water loss.

Member Inquiries Treasurer's Report

- John Henslee asked how Hillsboro's involvement in the Willamette Water Project would affect our rates?
The results will be to lower System Development Fees.
- What is the difference in income between 2022 and 2023?
Don Wicks explained transfer fees for water certificate, CDs maturing, among other things.
- Why are Operating Expenses so much higher in 2023 versus 2022?
Professional fees were used to assist in filling an existing open position.
- Why is the cost of our water up?
Hillsboro raised their rates. We did not pass the full increase on to our members.
- What about the PGE power increase?
That may impact our future rates but for now we are working to decrease power draws to compensate.
- What caused in the increase in Assets in 2023 from 2022?
Assets increase when more certificates are sold.
- What is an inactive certificate?
Don Wicks explained that inactive certificates give the owner the right to water but they are not hooked up to a meter. A certificate cost about \$22K, the Cooperative gets about \$13K, the rest goes to Hillsboro. Basic hook up fee is currently \$1,500 unless boring is required. Some zones are currently at max capacity for the current reservoir system. A new tank is in the plans for the Valley Floor allowing more certificates to be sold.

General Member Inquires

- How do Hillsboro's water tests effect the Cooperative?
Jason Bayne responded that there is little impact, there are no health issues. Don Wicks added that we are working to get more timely information.
- Who backs up Jason Bayne?
Matt Jackson is the backup. Don Wicks said we are always working on redundancies to assure coverage.
- John Roe - What is happening with the fire hydrants?
The Fire Hydrants that are in our system are no longer being removed by staff. None of these hydrants are up to code to be used as a hydrant by the fire department or anyone. The fire department is aware of this and will not use them in the event of a fire.

- Mark Ward - Is there an update on the Laurelwood Development?
The developers in charge of the Laurelwood development project have been provided a list of upgrades required of them to receive water from L.A. Water Coop. There has been no further update from them after that discussion.
- Janell Steffl asked about Late Fees.
Late fees have recently been increased. The Board is still assessing the fee and working on the best solution.
- John Roe asked about using an electronic billing system.
The Cooperative has researched an updated billing system. The cost to upgrade is large so the current plan is additional training on the current system.
- Gary Carr asked what was being done regarding multiple uses of a single water certificate.
The Cooperative is working to address members violating their certificate by having multiple users on one certificate.

Election of Directors

There were three 3-year positions open. Amber Morgan and Tom Gunn counted. The results are Don Wicks, Terry Wymore, and Joe Kuran each received sufficient votes to fill the three 3-year positions. Terry Wymore to fill Lisa Dutz position based on seniority on the Board.

Lisa Dutz	76
Joe Kuran	78
Don Wicks	116
Terry Wymore	77
Erica Stark	29
Jacob Stark	2

MOTION by Dave McAdams to adjourn the meeting. Seconded by Ted Leach. Voted. Passed unanimously.

Don Wicks thanked everyone for their attendance and participation. The meeting adjourned at 8:00 PM.

Kylie McDermott Date
Business Manager

Linda Fountain Date
Secretary

**MINUTES OF THE ANNUAL MEETING OF L. A. WATER COOPERATIVE HELD MARCH 27, 2025,
AT THE GASTON FIRE HALL, GASTON, OR 97119**

BOARD MEMBERS PRESENT: Joe Kuran, Terry Wymore, Ted Leach, Amber Morgan,

BOARD MEMBERS ABSENT: Joel Mulkey, Tom Gunn, Don Wicks, David McAdams, Linda Fountain

STAFF PRESENT: Jason Bayne, & Kylie McDermott

MEMBERS PRESENT:

The meeting was called to order at 7:18 PM by Amber Morgan. Amber Morgan welcomed all Cooperative members and gave an overview of the meeting agenda. The Board members and staff were introduced.

Treasurer's Report: The 2023 and 2024 Financial Statements and Supplementary Information were handed out to all members in attendance.

System Status

Jason Bayne (Operations Manager) presented a slide showing water certificate information.

- System Overview – the Cooperative delivered 67,972,920 gallons of water to 797 member households in 2024.
- Water Source – Hillsboro Water Department is part of a major project to transition current water sources to the Willamette River. Expect to complete transition by 2026.
- 2024 Water Quality – All 2024 tests were passed. The 2024 results will be published July 1, 2025.
- 2024 Accomplishments:
 - Installed 3,200' HDPE Gaston Road
 - Abandoned 8,500' failing AC Pipe and eliminated 2 river crossings
 - More Mission SCADA installed at Pump Stations
 - Installed Diamond Maps
 - Moved service lines from failing 2" line to newly installed waterline to help reduce water loss

Water loss comparison – Water loss from 37% to 25.7%. That amount of loss is standard especially for an aging system. Other rural systems average about 20-25%.

You the Members

- Members are very important for reporting suspected leaks. The new meter system is also helpful in identifying potential leaks.

2025 and Beyond

- Installing a 260,000-gallon tank on the valley floor and a new pump station at Jordan Reservoir.
- Continue installing Mission SCADA Systems for our Pump houses so we can 24/7 monitor our equipment, adjust as needed, and prevent water outages.
- Installation of a new Bald Peak pump house. This will allow the sale of 25 additional Water Certificates which will be available summer time 2025.
- Jordan, Gammon, and Lambert will be getting a new epoxy coating, and the rest of the tanks will get cleaned.
- Continuing to seek out and repair leaks to minimize water loss.

Member Inquiries

- The difference from 2023 to 2024 on payroll related accounting error. The error was causing payroll tax liability on the balance sheet to be overstated over time. The correction was made to bring the liability account to the correct amount.

Election of Directors

There were three 3-year positions open. Joe Kuran and Terry Wymore counted the votes. The results are Dave McAdams, Ted Leach and Amber Morgan remain on the Board for three terms.:

David McAdams	101
Ted Leach	103
Amber Morgan	101

Amber thanked everyone for their attendance and participation. The meeting adjourned at 7:55 PM.

Kylie McDermott Date
 Business Manager

Draft of Financial Statement Tuesday, March 24, 2026

Dear L.A. Water Cooperative Member:

Attached is a draft of the L.A. Water Cooperative financial statements for the years ending December 31, 2024, and 2025. Please note that these statements are currently under review by the Board of Directors.

The final version will be made available once the Board has completed its review and approved the statements. At that time, the finalized financial statements, as prepared by the CPA, will be on file at the office.

Once available, you may obtain a copy by:

- Emailing a request to **office@lawatercoop.org**
- Picking up a copy at the L.A. Water Office located at **23055 NE Albertson Rd., Monday through Thursday, 7:30 AM to 4:00 PM**

If you have any questions or concerns, please contact the office.

Thank you,

Toni Hodgkins

Toni Hodgkins
Business Manager
503-662-3899
Office@lawatercoop.org

L. A. WATER COOPERATIVE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2025 and 2024

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L. A. WATER COOPERATIVE
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Years Ended December 31, 2025 and 2024

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
L. A. Water Cooperative
Gaston, Oregon

Management is responsible for the accompanying financial statements of L. A. Water Cooperative (a nonprofit organization), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income, unallocated accumulated earnings, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagements 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 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 financial statements.

The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagements. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Jones & Roth, P.C.
Hillsboro, Oregon
[DATE]

FINANCIAL STATEMENTS

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L. A. WATER COOPERATIVE
BALANCE SHEETS
December 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 358,239	\$ 385,654
Accounts receivable, net of allowance for credit losses of \$-0- for 2025 and \$2,700 for 2024	74,018	52,297
Investments	683,881	1,272,902
Supply inventory	118,320	117,775
Prepaid insurance	15,214	13,557
Total current assets	1,249,672	1,842,185
Equipment, waterlines, and reservoirs , net of accumulated depreciation of \$2,629,816 in 2025 and \$2,604,418 in 2024	3,470,150	2,557,820
Total assets	\$ 4,719,822	\$ 4,400,005

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	<u>2025</u>	<u>2024</u>
Liabilities and Members' Equity		
Current liabilities		
Accounts payable	\$ 39,271	\$ 6,896
Customer deposits	<u>2,000</u>	<u>2,000</u>
Total current liabilities	<u>41,271</u>	<u>8,896</u>
Total liabilities	<u>41,271</u>	<u>8,896</u>
Members' equity		
Shares:		
Mainline shares	1,942,105	1,797,701
Bald Peak shares	<u>285,685</u>	<u>285,685</u>
Total shares	<u>2,227,790</u>	<u>2,083,386</u>
Assessments:		
Laurel Y line	22,500	22,500
East Gaston line	36,890	36,890
Olson Road line	134,060	134,060
Surcharges	31,747	31,747
Contributed water lines	<u>84,419</u>	<u>84,419</u>
Total assessments	<u>309,616</u>	<u>309,616</u>
Total shares and assessments	2,537,406	2,393,002
Unallocated accumulated earnings	<u>2,141,145</u>	<u>1,998,107</u>
Total members' equity	<u>4,678,551</u>	<u>4,391,109</u>
Total liabilities and members' equity	<u><u>\$ 4,719,822</u></u>	<u><u>\$ 4,400,005</u></u>

See accountant's compilation report and accompanying notes.

L. A. WATER COOPERATIVE
 STATEMENTS OF INCOME
 For the Years Ended December 31, 2025 and 2024

	2025		2024	
	Amount	Percent of Revenue	Amount	Percent of Revenue
Revenue				
Water sales	\$ 1,169,447	95.0	\$ 1,151,418	96.3
Late charges and miscellaneous fees	21,475	1.7	4,251	0.4
Unused certificate charges	40,545	3.3	40,500	3.3
Total revenue	1,231,467	100.0	1,196,169	100.0
Operating expenses	(1,173,767)	(95.4)	(1,184,854)	(99.1)
Net operating income	57,700	4.6	11,315	0.9
Other income				
Investment income	43,386	3.5	59,098	4.9
Hook-up fees and service calls	12,000	1.0	3,000	0.3
Certificate transfer fees	14,050	1.1	6,800	0.6
Repairs reimbursed	-	-	33,324	2.8
Gain on asset disposals	15,902	1.3	-	-
Total other income	85,338	6.9	102,222	8.6
Net income	\$ 143,038	11.5	\$ 113,537	9.5

See accountant's compilation report and accompanying notes.

L. A. WATER COOPERATIVE
STATEMENTS OF UNALLOCATED ACCUMULATED EARNINGS
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Unallocated accumulated earnings, beginning of year	\$ 1,998,107	\$ 1,884,570
Net income	<u>143,038</u>	<u>113,537</u>
Unallocated accumulated earnings, end of year	<u>\$ 2,141,145</u>	<u>\$ 1,998,107</u>

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See accountant's compilation report and accompanying notes.

L. A. WATER COOPERATIVE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Net income	\$ 143,038	\$ 113,537
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	155,669	118,341
Realized and unrealized gain on investments	(11,642)	(24,525)
Gain on disposals of equipment and waterlines	(15,902)	-
(Increase) decrease in assets:		
Accounts receivable, net	(21,721)	(10,620)
Supply inventory	(545)	47,130
Prepaid insurance	(1,657)	1,987
Increase (decrease) in liabilities:		
Accounts payable	32,375	(34,960)
	279,615	210,890
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of and additions to equipment and waterlines	(1,052,097)	(598,152)
Proceeds from the maturity or redemption of investments	2,254,525	2,392,000
Purchase of investments	(1,653,862)	(2,582,646)
	(451,434)	(788,798)
Net cash used by investing activities		
Cash flows from financing activities		
Sale of Mainline shares	149,424	29,700
Repurchase of Mainline shares	(5,020)	-
Principal payments on construction loan	-	(43,417)
	144,404	(13,717)
Net cash provided (used) by financing activities		
Net decrease in cash and cash equivalents	(27,415)	(591,625)
Cash and cash equivalents, beginning of year	385,654	977,279
Cash and cash equivalents, end of year	\$ 358,239	\$ 385,654
Supplemental disclosures of cash flow information		
Additions to equipment, waterlines and pump stations	\$ 1,070,897	\$ 598,152
Trade-in value of equipment	(18,800)	-
	\$ 1,052,097	\$ 598,152
Cash paid for equipment, waterlines and pump stations		

See accountant's compilation report and accompanying notes.

L. A. WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

L. A. Water Cooperative (the Cooperative) is a private water company serving rural residences in the Chehalem Valley and Mountains of Oregon. The Cooperative's boundaries include sections in southwestern Washington County and northern Yamhill County. The existing service district encompasses an approximate 25 square mile area. The Cooperative was formed in 1968 as a temporary service from the city of Hillsboro's transmission main to serve the Laurelwood Academy. Over the years, the system has been expanded to cover outlying areas. As property owners needed water, they were annexed into the Cooperative's boundaries and sold a certificate for service. The Cooperative purchases water from the city of Hillsboro.

Recent Accounting Standards Adopted

On January 1, 2025, the Cooperative adopted ASU 2025-05 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The Cooperative adopted the practical expedient to assume, when developing its estimate for credit losses, that current conditions as of the statement of financial position date do not change for the remaining life of the asset. The Cooperative also adopted the practical expedient to make the accounting policy election to consider collection activity after the statement of financial position date when estimating expected credit losses. The accounting standard update was applied prospectively from the date of adoption.

Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Cooperative is not a taxpaying entity under Section 501(c)(12) of the Internal Revenue Code, and thus no income tax expense has been recorded in the financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Cooperative to report information regarding its exposure to various tax positions taken by the Cooperative. Management of the Cooperative has determined whether any tax positions have met the recognition threshold and has measured the Cooperative's exposure to those tax positions. Management believes that the Cooperative has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

L. A. WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Cooperative considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable arise in the normal course of business and are stated at unpaid principal due from members and contractors. Receivables are considered past due or delinquent according to contract terms. An allowance for credit losses is made for revenue estimated to be uncollectible and is adjusted periodically based upon management's evaluation of current economic conditions, historical collection experience, reasonable and supportable forecasts about the future, and other relevant factors which, in the opinion of management, deserve recognition in estimating such allowance. If amounts become uncollectible, they will be charged to operations when that determination is made. The cooperative has recorded an allowance at December 31, 2025 and 2024 of \$-0- and \$2,700, respectively.

As required to be disclosed by FASB ASC 606, *Revenue from Contracts with Customers*, the opening balances of accounts receivable at January 1, 2025 and 2024 were \$52,297 and \$41,677, respectively.

Inventory

Inventory consists primarily of supplies and is valued at the lower of cost (first-in, first-out) or market.

Investments

Investments consist of brokerage certificates of deposit (CDs) and fixed income securities carried at fair value. Fair value is the price that would be received to sell the investments in an orderly transaction between market participants at the measurement date. Interest is recorded when earned. Realized and unrealized gains and losses on the investments is included in investment income in the accompanying statements of income. All investments held at December 31, 2025 are scheduled to mature within the next 12 months.

Equipment, Waterlines, and Reservoirs

Equipment, waterlines, and reservoirs are recorded at cost or the estimated fair market value at the date of receipt for contributions of projects constructed by others and accepted for ownership and maintenance by the Cooperative. All significant acquisitions, renovations, and repairs which increase the value of an asset are capitalized. All expenditures for repair and maintenance which do not appreciably extend the useful life or increase the value of an asset are expensed in the period in which the costs are incurred. A gain or loss is recognized on assets that are sold or retired. The net book value of an asset traded on new property is included in the cost of the property acquired.

L. A. WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Depreciation

Depreciation is computed using the straight-line method over estimated useful lives. Office equipment is depreciated over 5 to 10 years and waterlines and reservoirs over 20 to 100 years.

Revenue Recognition

Revenue is comprised of water sales, unused certificate charges, and other miscellaneous fees. Revenue from water sales is recognized when services are rendered (i.e., water delivered and meters read), which is considered satisfaction of the sole performance obligation under the contract. Unused certificate revenue is an annual charge that is billed to customers at the beginning of each calendar year, which is considered satisfaction of the performance obligation and is recognized upon annual billing. Revenue from other miscellaneous fees is recognized as services or charges are incurred, which is considered satisfaction of the performance obligation.

2. Cash and Cash Equivalents

At December 31, cash and cash equivalents consisted of the following:

	<u>2025</u>	<u>2024</u>
Checking accounts	\$ 190,728	\$ 245,544
Money market and cash equivalents	<u>167,511</u>	<u>140,110</u>
Total cash and cash equivalents	<u>\$ 358,239</u>	<u>\$ 385,654</u>

At times, cash and cash equivalents may exceed amounts covered under Federal Deposit Insurance Corporation limits of \$250,000 per institution, which represents a credit risk to the Cooperative as any portion of the deposits in excess of this amount is not subject to federal insurance. At December 31, 2025 and 2024, the Cooperative's uninsured cash and cash equivalents balances were \$- and \$5,960, respectively.

L. A. WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

3. Equipment, Waterlines, and Reservoirs

At December 31, equipment, waterlines, and reservoirs consisted of the following:

	<u>2025</u>	<u>2024</u>
Office equipment	\$ 20,707	\$ 36,508
Equipment	123,719	93,378
Bald Peak line	201,682	201,682
East Gaston line	16,040	16,040
Gammon Reservoir	149,209	78,737
Jordan Reservoir	144,681	67,700
Lambert Reservoir	120,087	41,204
Cunningham Reservoir	859,522	156,467
Laurel Y project	22,723	22,723
Olson Road line	103,921	103,921
Phillips Reservoir	2,008	2,008
Salsbery Reservoir	14,202	14,202
System maps	17,114	17,114
Waterlines and pump stations	3,559,294	3,339,997
Laurelwood Road line	68,030	68,030
Albertson Road line	200,630	200,630
Bridgefamer Road line	6,858	6,858
Rossman Reservoir	34,872	29,715
Master meter pumps	20,077	20,077
Bald Peak controls	32,912	32,912
Salsbery Reservoir II	65,072	65,072
Dixon Mill line	34,673	34,673
Albertson Road storage shed	60,112	60,112
Hydraulic model	14,630	14,630
Vehicles	45,294	62,036
SCADA System	66,813	66,813
	<u>6,004,882</u>	<u>4,853,239</u>
Accumulated depreciation	<u>(2,629,816)</u>	<u>(2,604,418)</u>
	3,375,066	2,248,821
Pumps not in service	39,845	69,426
Projects in process	<u>55,239</u>	<u>239,573</u>
Total equipment not placed in service	<u>95,084</u>	<u>308,999</u>
Equipment, waterlines, and reservoirs, net of accumulated depreciation	<u>\$ 3,470,150</u>	<u>\$ 2,557,820</u>

L. A. WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

4. Construction Loan

In April 2020, the Cooperative entered into an agreement with Washington County (the County), whereby the County agreed to finance a construction project involving waterline work and replacement of the Gaston Road Bridge over Wapato Creek by the Cooperative. Annual installment payments for the waterline work are due to the County in the amount of 25 percent of the final contract price for 4 years until the amount is paid in full with payments beginning on April 1, 2021. The construction loan does not bear interest. As of December 31, 2025 and 2024, \$-0- was payable to the County for the construction loan. The loan was repaid in full in 2024.

5. Changes in Shares and Assessments

The following schedule summarizes the changes in shares and assessments for the year ended December 31, 2025:

	Balance, December 31, 2024	Increase	Decrease	Balance, December 31, 2025
Mainline shares	\$ 1,797,701	\$ 149,424	\$ (5,020)	\$ 1,942,105
Bald Peak shares	285,685	-	-	285,685
Assessments:				
Laurel Y line	22,500	-	-	22,500
East Gaston line	36,890	-	-	36,890
Olson Road line	134,060	-	-	134,060
Surcharges	31,747	-	-	31,747
Contributed water lines	84,419	-	-	84,419
Totals	<u>\$ 2,393,002</u>	<u>\$ 149,424</u>	<u>\$ (5,020)</u>	<u>\$ 2,537,406</u>

The following schedule summarizes the changes in shares and assessments for the year ended December 31, 2024:

	Balance, December 31, 2023	Increase	Decrease	Balance, December 31, 2024
Mainline shares	\$ 1,768,001	\$ 29,700	\$ -	\$ 1,797,701
Bald Peak shares	285,685	-	-	285,685
Assessments:				
Laurel Y line	22,500	-	-	22,500
East Gaston line	36,890	-	-	36,890
Olson Road line	134,060	-	-	134,060
Surcharges	31,747	-	-	31,747
Contributed water lines	84,419	-	-	84,419
Totals	<u>\$ 2,363,302</u>	<u>\$ 29,700</u>	<u>\$ -</u>	<u>\$ 2,393,002</u>

L. A. WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements

U.S. GAAP established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Cooperative has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to their fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for investments measured at fair value.

Brokerage certificates of deposit: Prices for brokered CDs are based on current market valuations obtained from independent sources and at times may be different from their original purchase price. Changes in market interest rates on CDs can impact the secondary market for brokered CDs.

Fixed income securities – United States Treasury bills: Valued at fair value as determined by quoted market prices or quoted prices for comparable investments.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Cooperative believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

L. A. WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements, continued

The following table sets forth by level, within the fair value hierarchy, the Cooperative's assets at fair value as of December 31:

	Assets at Fair Value as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 221,720	\$ -	\$ -	\$ 221,720
Brokered certificates of deposit	-	462,161	-	462,161
Total assets, at fair value	\$ 221,720	\$ 462,161	\$ -	\$ 683,881
	Assets at Fair Value as of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 428,158	\$ -	\$ -	\$ 428,158
Brokered certificates of deposit	-	844,744	-	844,744
Total assets, at fair value	\$ 428,158	\$ 844,744	\$ -	\$ 1,272,902

7. Retirement Plan

The Cooperative sponsors a SIMPLE IRA Plan for employees whose annual compensation in the current year and during any one year preceding the current year has met or exceeded \$5,000. The Cooperative will match employee deferrals dollar-for-dollar up to 3 percent of each employee's compensation. Contributions to the plan were \$8,200 and \$9,218 for the years ended December 31, 2025 and 2024, respectively.

8. Concentrations

The Cooperative purchases all of its water from the city of Hillsboro, Oregon.

9. Liquidity and Availability of Resources

The Cooperative has approximately \$1,116,000 and \$1,710,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure as of December 31, 2025 and 2024, respectively. Financial assets consist of cash and cash equivalents, short term investments and accounts receivable. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Cooperative structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Cooperative invests cash in excess of daily requirements in brokered certificates of deposit which could be liquidated, if necessary, in a secondary market.

L. A. WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

10. Subsequent Events

Management evaluates events and transactions that occur after the balance sheet date as potential subsequent events. Management has performed this evaluation through the date of the accountant's compilation report.

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SUPPLEMENTARY INFORMATION

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L. A. WATER COOPERATIVE
SCHEDULES OF OPERATING EXPENSES
For the Years Ended December 31, 2025 and 2024

	2025		2024	
	Amount	Percent of Revenue	Amount	Percent of Revenue
Water purchased	\$ 267,385	21.7	\$ 245,089	20.5
Electricity	104,652	8.5	82,966	6.9
Payroll	282,637	23.0	307,286	25.7
Payroll tax expense	28,361	2.3	30,608	2.6
Employee benefits	78,963	6.4	93,030	7.8
Maintenance and repairs	78,464	6.4	169,890	14.2
Professional fees	60,283	4.9	31,505	2.6
Advertising	422	-	-	-
Licenses and permits	1,472	0.1	3,141	0.3
Dues and subscriptions	8,359	0.7	11,049	0.9
Insurance	35,221	2.9	35,405	3.0
Vehicle expense	24,447	2.0	19,890	1.7
Office supplies	6,615	0.5	4,099	0.3
Computer services	8,078	0.7	4,757	0.4
Office equipment rent and repair	4,341	0.4	1,665	0.1
Postage	5,625	0.5	6,775	0.6
Printing and reproduction	3,512	0.3	1,779	0.1
Telephone	6,605	0.5	5,909	0.5
Small tools and supplies	1,598	0.1	5,928	0.5
Disposal services	1,040	0.1	615	0.1
Depreciation	155,669	12.6	118,341	9.9
Other miscellaneous expenses	10,018	0.8	5,127	0.4
Total operating expenses	\$ 1,173,767	95.4	\$ 1,184,854	99.1

See accountant's compilation report.

L. A. WATER COOPERATIVE
ELECTRICITY COST BY METER LOCATION
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
LaSalle Road pump - PGE	\$ 10,897	\$ 8,364
Dixon Mill Road pump - PGE	689	434
LaSalle Road controls - Frontier	5,650	5,141
Poppy Drive pumpstation - PGE	3,591	3,196
Gibson Road pump - PGE	6,930	5,685
Lambert Reservoir - PGE	6,489	5,109
Muddy Gulch Reservoir - PGE	7,955	6,317
Rossmann Reservoir - PGE	12,858	12,949
Gammon Reservoir - PGE	2,654	2,896
Bald Peak Reservoir - PGE	1,218	264
Cook Reservoir - PGE	3,797	3,247
Astleford Reservoir - PGE	5,487	4,514
Roe Barn Reservoir - PGE	5,086	4,612
Cox Reservoir - PGE	5,520	4,485
Bridgefarmer Road pump - PGE	6,098	4,633
Olson Road Reservoir - WOEC	768	766
Office - PGE	8,537	1,901
Bald Peak Telemetry - Frontier	34	-
Sunrise Peak pumphouse - PGE	585	658
Withycombe pumpstation - PGE	<u>9,809</u>	<u>7,795</u>
 Total electricity cost	 <u>\$ 104,652</u>	 <u>\$ 82,966</u>

See accountant's compilation report.

L. A. WATER COOPERATIVE
SUMMARY OF UNACCOUNTED AND UNBILLED WATER
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Gallons purchased	103,880,010	102,368,430
Gallons sold	<u>67,120,050</u>	<u>67,972,920</u>
Gallons unaccounted and unbilled	<u>36,759,960</u>	<u>34,395,510</u>
Percentage of water unaccounted and unbilled	35%	34%

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See accountant's compilation report.