One Hundred Twenty Nine Annual Report

1040 El Campo Drive

Pasadena, California 91107-5506

FOR YEAR ENDED DECEMBER 31, 2023

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SunnySlope Water Co. EST. 1895

BOARD OF DIRECTORS

Lap T. Ng	President
Mark J. Sedlacek	1st Vice President
Peter C. Jeong	Secretary
John L. Shaw	Treasurer
Steven R. Seiler	Assist Sec/Treas

Dear Sunny Slope Shareholder:

On behalf of the Board of Directors, I am pleased to report that our company remains financially strong and water quality remains excellent. The 2023 Annual Report, which provides more details on our finances, can be downloaded after March 4, 2024, from our website (http://www.sunnyslopewatercompany.com/news) or call our office to request a copy.

We are continuing to assess and implement Sunny Slope's Master plan to replace and upgrade some of our aging infrastructure to reliably deliver water to our shareholders. For the year 2023, we have completed the main replacement project on Reno Ave. We are also embarking on other projects that relate to our goals of conservation, sustainability, and transformation in 2024. Some of these projects include updating our Master Plan, upgrading our SCADA (monitoring and control) Operating System's software and hardware, new billing software, main replacement on Rosemead Blvd., preparatory work on our Reservoir #4 rehabilitation, and continuing our Conservation Programs. At SSWC, we are committed to improving our operating processes by evaluating and implementing emerging technologies that will make it easier for shareholders to access near real-time water usage data and make it more convenient to access services.

While the recent rains have helped ease the drought, California continues to face severe challenges in providing for the state's water needs. We ask our shareholders to continue to conserve and to act responsibly when using this precious resource. We will also update our shareholders on any new developments regarding new state regulations on conservation. Please use the company's web portal (https://sunnyslope.watersmart.com) to monitor your water usage and for tips on water conservation. For those shareholders who have not yet registered on the web portal, please do so to take advantage of some of the features, which include weekly reports on your water consumption, access to your monthly bill, payment through the portal, and much more.

In closing, I would like to thank our staff for their dedication and hard work. Your Sunny Slope Water Company Board of Directors and staff appreciate your continuing support. We will take every measure needed to maintain the Company's financial strength and provide high-quality, reliable water at a reasonable cost.

Respectfully Submitted,

Lap T. Ng
Board President

Sunny Slope Water Company

For the benefit of the number of new shareholders who have moved into our service area this is an appropriate time to review our water position.

Sunny Slope is a Mutual Water Company incorporated January 7th 1895 to provide water at cost to the shareholders in the service area. This area encompasses a large portion of the City of Temple City, smaller portions of San Marino, San Gabriel, Arcadia and unincorporated territory of Los Angeles County.

Source of Supply

The Company pumps its water from two areas. The Raymond Basin located North of Huntington Drive and the San Gabriel Basin located South of Huntington Drive.

The Company has an adjudicated right to 1,558 acre feet of water per year from the Raymond Basin. Under the terms of adjudication, the total annual production from the basin may be adjusted to prevent an overdraft condition. Our current fiscal year adjusted adjudicated right is 1,091 acre feet.

The remaining Company production requirements are pumped from the San Gabriel Basin. Our adjudicated right in this basin is 1,692 acre feet for the current fiscal year. Safe yield in the San Gabriel Basin is adjusted every year to adapt to current weather conditions. An assessment is levied on water pumped in excess of our allowance. The assessment is used by the Upper San Gabriel Municipal Water District to purchase imported water from Metropolitan Water District for groundwater replenishment.

Water System

The water is pumped from five wells, two in the Raymond Basin and three in the San Gabriel Basin.

The company has a 6 million gallon reservoir and a 4 million gallon reservoir both located in the general vicinity of the Company office on El Campo drive, Pasadena. A 150,000 gallon elevated tank is located at the northern end of our service area.

There are three booster plants, two located in the upper zone and one in the middle zone.

To bring water to your home or place of business, the Company has approximately 60 miles of water mains ranging in sizes from 4” to 30” throughout our service area.

SUNNY SLOPE WATER COMPANY

RAINFALL 8 YEAR PERIOD

IN INCHES

MONTH	2016	2017	2018	2019	2020	2021	2022	2023	AVERAGE INCHES
JAN	5.64	11.23	1.77	8.18	0.46	0.71	0.12	13.45	5.19
FEB	0.66	4.42	0.03	6.44	0.36	2.03	0.10	8.77	2.85
MAR	2.32	0.34	2.69	3.26	4.96	1.55	1.54	9.30	3.24
APR	1.03	0.05	0.02	0.04	2.57	0.09	0.36	0.51	0.61
MAY	0.53	0.89	0.09	2.02	0.12	0.12	0.06	2.09	0.66
JUN	0.00	0.00	0.00	0.01	0.00	0.01	0.19	0.29	0.06
JUL	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.00	0.02
AUG	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.61	0.06
SEP	0.00	0.12	0.00	0.05	0.00	0.00	0.27	0.30	0.09
OCT	0.24	0.14	0.57	0.00	0.00	1.34	0.29	0.14	0.09
NOV	1.12	0.03	1.58	1.93	0.02	0.00	1.96	0.77	0.96
DEC	4.81	0.00	2.11	5.27	1.93	9.16	4.28	1.94	3.68
TOTALS	16.35	17.22	8.86	27.20	10.42	15.18	9.17	42.17	17.51

SUNNY SLOPE WATER COMPANY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Year Ended
December 31, 2023
(With Comparative Amounts as of December 31, 2022)

SUNNY SLOPE WATER COMPANY
For the Year Ended December 31, 2023
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FINANCIAL SECTION

SUPPLEMENTARY SECTION

Financial Section

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sunny Slope Water Company
Pasadena, California

Opinion

We have audited the accompanying financial statements of the Company (Company) (a California corporation), which comprise the balance sheet as of December 31, 2023 and the related statements of income, changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Company as of December 31, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are available to be issued.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

MURRIETA OFFICE 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
WALNUT CREEK OFFICE 2121 N. California Blvd. Suite 290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444
www.nncpas.com • Licensed by the California Board of Accountancy

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses and schedules of administrative costs are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended December 31, 2022, from which such partial information was derived.

Murrieta, California
March 1, 2024

SUNNY SLOPE WATER COMPANY

Balance Sheets

December 31, 2023 (With Comparative Information as of December 31, 2022)

ASSETS	2023	2022
Current assets:		
Cash and cash equivalents	$ 844,272	$ 384,983
Accrued interest receivable	70,249	70,985
Accounts receivable – water customers	814,759	772,661
Materials and supplies inventory	139,531	134,215
Prepaid expenses and deposits	142,233	124,986
Total current assets	2,011,044	1,487,830
Non-current assets:		
Investments (note 2)	8,757,798	8,153,566
Raymond Basin water storage (note 3)	588,770	594,711
Cyclical water storage (note 3)	1,823,848	1,961,535
Intangible assets – water rights	33,080	33,080
Utility plant and equipment, net (note 4)	20,530,653	20,018,344
Total non-current assets	31,734,149	30,761,236
Total assets	$ 33,745,193	$ 32,249,066
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	622,103	642,152
Accrued interest payable	-	6,645
Unearned revenue – customer deposits	41,456	24,762
Deferred compensation (note 5)	8,000	8,000
Right-to-use lease payable, (note 6)	5,334	7,285
Total current liabilities	676,893	688,844
Non-current liabilities:		
Deferred compensation (note 5)	196,000	177,211
Right-to-use lease payable, (note 6)	-	5,334
Line-of-credit (note 7)	900,000	1,400,000
Total liabilities	1,772,893	2,271,389
Members' equity		
Common stock, Class I, $10 par value, 13,500 shares authorized 5,830 shares issued and outstanding	58,300	58,300
Common stock, Class II, $10 par value, 20,000 shares authorized 7,170 shares issued and outstanding	71,700	71,700
Retained earnings	31,842,297	29,847,677
Total members' equity	31,972,297	29,977,677
Total liabilities and members' equity	$ 33,745,190	$ 32,249,066

SUNNY SLOPE WATER COMPANY
Statements of Income
For the Year Ended December 31, 2023
(With Comparative Information for the Year Ended December 31, 2022)

	2023	2022
Operating revenues:		
Minimum rate	$ 1,995,139	$ 1,982,654
Commercial rate – non-stock	550,545	539,260
Commercial rate – stock	207,809	177,148
Residential rate – non-stock	1,299,740	1,501,622
Residential rate – stock	1,345,778	1,297,836
Special surcharge	457,716	456,282
Other charges and revenues	177,350	89,289
Total operating revenues	6,034,077	6,044,091
Operating expenses:		
Operating variable costs:		
Source of supply	607,523	961,309
Pumping and power	682,755	641,005
Purification	206,395	220,203
Transmission and distribution	502,413	402,082
Total operating variable costs	1,999,086	2,224,599
Administrative costs:		
Customer collections	238,854	245,344
General and administrative	1,535,961	1,517,282
Other expenses	203,467	202,591
Total administrative costs	1,978,282	1,965,217
Total operating expenses	3,977,368	4,189,816
Operating income before depreciation expense	2,056,709	1,854,275
Depreciation and amortization expense	(994,003)	(881,236)
Operating income	1,062,706	973,039
Non-operating revenues(expenses):		
Capital contributions in aid of construction from members	181,193	421,156
Investment earnings, net (note 2)	349,489	322,028
Change in fair-value and accrued interest of investments	504,021	(1,819,253)
Rental revenue	21,850	24,850
Rental expenses	(1,137)	(2,460)
Sale of asset	-	1,440
Interest expense	(90,575)	(19,871)
Total non-operating revenues, net	964,841	(1,072,110)
Income before provision for income tax	2,027,547	(99,071)
Provision for income tax – current year	(32,927)	(25,669)
Net income(loss)	$ 1,994,620	$ (124,740)

SUNNY SLOPE WATER COMPANY

Statements of Changes in Members' Equity

For the Year Ended December 31, 2023

(With Comparative Information for the Year Ended December 31, 2022)

	Common Stock Issued and Outstanding	Retained Earnings	Total Member's Equity
Balance at January 1, 2022	$ 130,000	$ 29,972,417	$ 30,102,417
Net loss	-	(124,740)	(124,740)
Balance at December 31, 2022	130,000	29,847,677	29,977,677
Net loss	-	1,994,620	1,994,620
Balance at December 31, 2023	$ 130,000	$ 31,842,297	$ 31,972,297

SUNNY SLOPE WATER COMPANY
Statements of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Information for the Year Ended December 31, 2022)

	2023	2022
Cash flows from operating activities:		
Operating income	$ 1,062,706	$ 973,039
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	994,003	881,236
Provision for income tax	(32,927)	(25,669)
(Increase)decrease in operating assets:		
Accounts receivable – water customers	(42,098)	(75,829)
Materials and supplies inventory	(5,316)	(6,331)
Prepaid expenses and deposits	(17,247)	(4,468)
Raymond Basin water storage	5,941	6,018
Cyclical water storage	137,687	(434,085)
Increase(decrease) in operating liabilities:		
Accounts payable and accrued expenses	(20,049)	(606,016)
Unearned revenue – customer deposits	16,694	(28,422)
Deferred compensation	18,789	4,000
Total adjustments	1,055,477	(289,566)
Net cash provided by operating activities	2,118,183	683,473
Cash flows from investing activities:		
Purchases of utility plant, equipment and right-to-use leased asset	(1,506,312)	(4,582,057)
Proceeds from capital contributions for aid in construction	181,193	421,156
Proceeds from sale of assets	-	1,440
Proceeds from the sale of investments	250,000	1,143,000
Investment earnings – cash and cash equivalents	17	27
Rental revenue	21,850	24,850
Rental expenses	(1,137)	(2,460)
Net cash used in investing activities	(1,054,389)	(2,994,044)
Cash flows from financing activities:		
Payments on right-to-use lease payable	(7,285)	(7,141)
Proceeds from right-to-use lease payable	-	19,760
Proceeds from line-of-credit	-	1,400,000
Principal payments on line-of-credit	(500,000)	-
Interest payments on line-of-credit	(97,220)	(13,226)
Net cash provided by (used in) financing activities	(604,505)	1,399,393
Net increase(decrease) in cash and cash equivalents	459,289	(911,178)
Cash and cash equivalents:		
Beginning of year	384,983	1,296,161
End of year	$ 844,272	$ 384,983

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities
The Sunny Slope Water Company (Company) is a California non-profit mutual benefit corporation operating as a mutual water company. The Company was incorporated in 1895 to provide potable water to residents of certain parts of the cities of Temple City, San Marino, San Gabriel, Arcadia and an unincorporated area of the County of Los Angeles, California. As a mutual-owned water utility, its members are the recipients of water from its distribution system.

B. Basis of Accounting
The Company's policy is to prepare its financial statements on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities under this method. This means that revenues are recorded when earned, rather than when received, and expenses are recorded when incurred, not when they are paid. This conforms to generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), and the American Institute of Certified Public Accountants (AICPA).

C. Basis of Presentation
Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board ("FASB"), commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP").

D. Cash and Cash Equivalents
The Company considers cash on hand and demand deposits with financial institutions to be considered cash and cash equivalents on the balance sheets and statements of cash flows.

E. Accounts Receivable and an Allowance for Doubtful Accounts
The Company's accounts receivable consists of balances due from its customers for water sales and services. As of December 31, 2023, management has considered the accounts receivable balance fully collectible; therefore, the Company has not established an allowance for doubtful accounts.

F. Materials and Supplies Inventory
These items consist of pipes and meters that are used for the repairs and maintenance of the Company's transmission and distribution system. These items are stated at the lower of cost or net realizable value, using the first-in first-out method for inventory valuation.

G. Prepaid Expenses and Deposits
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses and deposits.

H. Water Rights
Water rights have been capitalized at cost and are not being amortized.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Right-To-Use Leased Asset and Right-To-Use Lease Payable

The primary objective is to enhance the relevance and consistency of information about the organizations' leasing activities. The Company has established a single model for lease accounting based on the principle that leases are financings of a right-to-use underlying asset. As a lessee, the Company is required to recognize a lease liability(payable) and an intangible right-to-use leased asset. At the commencement of a lease, the Company initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over its useful life. The Company monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the leased assets and lease payable if certain changes occur that are expected to significantly affect the amount of the lease payable.

J. Utility Plant and Equipment and Depreciation Expense

Utility plant and equipment items acquired and/or constructed are capitalized at historical cost. The Company's policy has set the capitalization threshold for reporting these items at $5,000. Contributed assets are recorded at their estimated fair-market value at the date of contribution. Upon retirement or other disposition of property and equipment, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of these assets as follows:

Treatment, transmission and distribution system	30 to 50 years
Buildings and improvements	7 to 40 years
Equipment	3 to 10 years
Vehicles	5 to 10 years

The Company reviews the carrying value of utility plant and equipment assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition and other economic factors.

K. Fair Value Measurements

In accordance with fair value measurements, the Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fair Value Measurements (continued)
Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Company has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Company's own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonable possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Company's financial statements.

L. Operating Revenues
Water sales and service revenues are billed on a bi-monthly cyclical basis. Estimated unbilled water sales and service revenue through December 31st has been accrued at year-end.

M. Estimates
The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Significant estimates include the lives used for depreciation of property and equipment and allocation of costs between the various programs and expense categories. Actual results could differ from those estimates.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Income Taxes

The Company is a non-profit mutual benefit corporation exempt from the payment of income taxes on activities related to its exempt purposes under Internal Revenue Code Section 501(c)12. However, the Company is not exempt from paying income taxes in California on non-member related net income. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Company files an annual informational return with the Internal Revenue Service and a corporation tax return with the state of California.

The Company's provision for income tax is based on non-member net income under the state of California and is computed as follows:

Account Type	Balance
Investment earnings	$ 349,664
Investment expenses	(175)
CA municipal bond interest – tax exempt	(30,750)
Investment – realized gains/(losses)	33,023
Rental revenue	21,850
Rental expenses	(1,137)
Total taxable earnings	$ 372,475
CA state corporate tax rate – 8.84%	$ 32,927

NOTE 2 – INVESTMENTS

The Company considers its investments as trading securities, which requires the recognition of changes in fair-value as a component of net income. Debt-type securities are carried at fair-value based on quoted market prices within active markets. Exchange traded ETFs and mutual funds are valued at the net asset value using quoted prices of active markets. The following is a listing of the Company's investment type holdings at their amortized cost basis and fair value at year-end:

Investment Type	Amortized Cost	Fair-Value Level 1
CA municipal bonds	$ 943,222	$ 857,091
Corporate bonds	5,621,867	4,949,239
Exchange traded ETFs	1,806,688	2,042,602
Money-market funds	95,293	65,369
Mutual funds	823,912	843,497
Total investments	$ 9,290,982	$ 8,757,798

NOTE 2 – INVESTMENTS (continued)

Investment earnings, net was calculated as follows:

Description	Amount
Investment earnings	$ 349,664
Investment expenses	(175)
Investment earnings, net	$ 349,489

NOTE 3 – SOURCE OF SUPPLY

Raymond Basin Water Storage
The Company has a 1955 decreed right of 1,558 acre-feet of water storage in the Raymond Basin, located in the San Gabriel Valley. Under the terms of adjudication, the total annual production from the basin may be adjusted to prevent an "overdraft" condition. The Company has increased its acre-feet storage in the basin to 2,332.2 acre-feet as of the beginning of the year. The basin's water loss factor for the year was 1.0% or 23.3 acre-feet, which reduced the Company's storage factor to 2,308.9 acre-feet. The change in the value of the Company's Raymond Basin water storage was as follows:

Description	Balance, Jan. 1, 2023	Purchases	Usage	Balance, Dec. 31, 2023
Raymond Basin	$ 594,711	$ -	$ (6,018)	$ 588,693

Cyclical Water Storage
The Company's other water supply is a decreed pumping right of 1,691.55 acre-feet per year from the Company's wells in the San Gabriel Basin using a safe yield which is adjusted annually to adapt to current weather conditions. An assessment is levied on water pumped in excess of the Company's pumping allowance. The assessment is used by the Upper San Gabriel Municipal Water District to purchase imported water from the Metropolitan Water District of Southern California for groundwater replenishment. The change in the value of the Company's cyclical water storage was as follows:

Description	Balance, Jan. 1, 2023	Purchases	Usage	Balance, Dec. 31, 2023
Cyclic storage	$ 1,961,535	$ -	$ (137,687)	$ 1,823,848

NOTE 4 – UTILITY PLANT AND EQUIPMENT, NET

Changes in the Company's utility plant and equipment balances consisted of the following:

	Balance, Jan. 1, 2023	Additions	Dispositions/ Transfers	Balance, Dec. 31, 2023
Utility assets not being depreciated:				
Land	$ 289,776	$ 59,579	$ -	$ 349,355
Construction-in-progress	71,064	201,676	(220,826)	51,914
Total utility assets not being depreciated	360,840	261,255	(220,826)	401,269
Utility assets being depreciated:				
Transmission and distribution system	11,161,098	1,206,921	-	12,368,019
Purification system	4,767,034	82,404	-	4,849,438
Reservoirs, wells and tanks	6,453,148	-	-	6,453,148
Meter system	4,714,296	170,213	-	4,884,509
Buildings and improvements	2,143,054	6,345	-	2,149,399
Equipment	1,131,337	-	-	1,131,337
Vehicles	408,187	-	-	408,187
Total utility assets being depreciated	30,778,154	1,465,883	-	32,244,037
Accumulated depreciation	(11,133,000)	(986,593)	-	(12,119,593)
Total utility assets being depreciated, net	19,645,154	479,290	-	20,124,444
Right-to-use assets being amortized:				
Right-to-use leased vehicle	19,760	-	-	19,760
Total right-to-use assets being amortized	19,760	-	-	19,760
Accumulated amortization	(7,410)	(7,410)	-	(14,820)
Total right-to-use assets being amortized, net	12,350	(7,410)	-	4,940
Total utility assets, net	$ 20,018,344	$ 253,845	$ (220,826)	$ 20,530,653

NOTE 5 – DEFERRED COMPENSATION

The Company has deferred compensation agreements with one employee and one former employee which provides benefits upon their retirement or termination from the Company. One agreement provides ten annual payments of $8,000. The other agreement provides for a monthly payment of $1,000 for each month of employment. The accrued benefit does not increase for interest. The total fair value of plan assets held by the Company as of December 31, 2023 was $204,000.

NOTE 6 – RIGHT-TO-USE LEASE PAYABLE

Changes in right-to-use lease payable for fiscal year ending December 31, 2023 was as follows:

Balance, Jan. 1, 2023	Additions	Payments	Balance, Dec. 31, 2023	Current Portion	Long-term Portion
$ 12,619	$ -	$ (7,285)	$ 5,334	$ 5,334	$ -

Annual debt service requirements for the right-to-use lease payable are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 5,334	$ 42	$ 5,376
Total	5,334	$ 42	$ 5,376
Current	(5,334)		
Long-Term	$ -		

The Company is reporting a total right-to-use lease payable of $5,334 for the year ending December 31, 2023. The Company is reporting total principal payments of $7,285 and interest expense of $330 related to the above noted lease.

The lease held by the Company does not have an implicit rate of return, therefore the Company used their incremental borrowing rate of 2.00% to discount the lease payments to the net present value. In some cases, leases contain termination clauses. In these cases, the clause requires the lessee or lessor to show cause to terminate the lease.

The Company's lease is summarized as follows:

Vehicle – Tesla
As of January 1, 2023, the Company had 32-months remaining on a 36-month lease for a Tesla to serve as the General Managers company car. An initial right-to-use lease liability was recorded in the amount of $19,760. The Company makes monthly fixed lease payments of $623 per month. The lease has an implied interest rate of 2.0%. The Company is amortizing the right-to-use leased asset of $19,760 at $618 per month. The lease term ends in September 2024.

NOTE 7 – LINE OF CREDIT

The Company maintains a line of credit providing borrowings up to $1,600,000. Interest is payable at a variable rate of 2.644%. The Company's investments secure borrowings under the line. There was $900,000 outstanding as of year-end.

NOTE 8 – WATER TREATMENT SERVICES AGREEMENT

In 2013, the Company entered into an agreement for financing a new treatment plant and for water treatment services of well water. Under the terms of the agreement, monthly payments are to be provided to the contractor depending on the amount of well water treated. The contractor is to receive a fixed-monthly payment amount if the treatment plant reaches its negotiated treatment capacity. The treatment plant is operational; however, the treatment plant has not reached its negotiated treatment capacity. Therefore, the Company continues to pay for only the amount of well water treated at its current capacity. At the expiration of the agreement, title to the treatment plant will be transferred to the Company; however, the physical assets and intellectual property contained within the treatment plant will not be transferred. Once the treatment plant becomes fully operational, future minimum payments could become $195,996 per year.

NOTE 9 – COMMON STOCK

The Company has two classes of common stock: Class I and Class II. Class II Common Stock is appurtenant to the shareholder's land requiring transfer of the shares with the sale or transfer of the property. Class I Common Stock is convertible to Class II shares. Class I shares may be redeemed at the request of the shareholder for the $10 par value.

NOTE 10 – RETIREMENT PLAN

The Company maintains a defined contribution retirement plan under Internal Revenue Code Section 401(k) covering eligible employees. Annual contributions are limited to a percentage of eligible employee compensation under relevant Internal Revenue Code sections and an optional Company contribution. The Company has elected to contribute 3% of each participant's compensation and matches the employee's contribution up to 4% of the amount deferred. For the year ended December 31, 2023 the Company's total expense was $76,942.

NOTE 11 – CONCENTRATION OF CUSTODIAL DEPOSIT RISK

The Company's cash and cash equivalents balance at times may exceed federally insured limits. Cash and cash equivalents in excess of FDIC and similar insurance coverage amounts are subject to the usual banking risks of funds in excess of those limits. Investments are subject to the usual market risks. As of December 31, 2023, there was $588,667 in cash that was exposed to custodial deposit risk.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Company's accounts receivables are due from individuals and business located in a specific geographic area. The collection of these receivables may be impacted by economic conditions in this area.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases
The Company does not recognize a lease receivable and a deferred revenue for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12-months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

General Liability and Workers' Compensation
The Company is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; job-related illnesses or injuries to employees; and natural disasters for which the Company carries commercial insurance. The Company also purchases commercial insurance to cover the risk of loss for property and business liability. In 2023 there are no known claims or incidents that may result in the assertion of material claims arising from potential losses.

Litigation
In the ordinary course of operations, the Company is subject to claims and litigation from outside parties. After consultation with legal counsel, the Company believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 14 – SUBSEQUENT EVENTS

Events subsequent to December 31, 2023, have been evaluated through March 1, 2024, the date at which the Company's audited financial statements were available to be issued.

Supplementary Information

SUNNY SLOPE WATER COMPANY
Schedules of Operating Expenses
For the Year Ended December 31, 2023
(With Comparative Information for the Year Ended December 31, 2022)

	2023	2022
Operating variable costs:		
Source of supply:		
Cyclic storage usage	$ 137,687	$ 467,915
Raymond Basin assessment	52,614	52,716
Watermaster assessments	417,222	440,678
Total source of supply	607,523	961,309
Pumping and power:		
Purchased power	570,142	567,303
Repairs and maintenance	112,613	73,702
Total pumping and power	682,755	641,005
Purification:		
Purification labor	27,470	27,112
Purification operations	77,021	69,002
Materials and services	101,904	124,089
Total purification	206,395	220,203
Transmission and distribution:		
Operations labor	140,146	153,506
Materials and services	362,267	248,576
Total transmission and distribution	502,413	402,082
Total operating variable costs	$ 1,999,086	$ 2,224,599

SUNNY SLOPE WATER COMPANY
Schedules of Administrative Costs
For the Year Ended December 31, 2023
(With Comparative Information for the Year Ended December 31, 2022)

	2023	2022
Administrative costs:		
Customer collections:		
Clerical labor	$ 138,992	$ 132,849
Meter reading labor	54,341	48,609
Postage and printing	35,052	43,404
Information technology	10,469	20,482
Total customer collections	238,854	245,344
General and administrative:		
Management and administrative labor	592,565	642,752
Vacation and holiday labor costs	134,691	136,679
Deferred compensation and bonuses	26,789	12,000
Retirement	76,942	76,709
Payroll taxes	89,135	92,332
Employee benefits	131,359	144,855
Overhead absorption	(10,621)	(18,011)
Sub-total – labor and benefit costs	1,040,860	1,087,316
Director's fees	50,700	48,450
Dues and subscriptions	27,066	26,455
Information technology	57,067	48,195
Insurance	100,023	92,217
Legal	15,000	15,075
Office remodel	-	1,246
Other	43,836	35,789
Professional services	128,495	79,568
Services and supplies	29,368	43,762
Telephone and utilities	38,371	37,604
Travel and education	5,175	1,605
Total general and administrative	1,535,961	1,517,282
Other expenses:		
Grounds labor	3,347	7,637
Materials and services	129,947	124,384
Sub-total – repairs and maintenance	133,294	132,021
Vehicles labor	4,373	15,155
Fuel costs	25,289	25,079
Materials and services	23,030	14,285
Sub-total – vehicles expense	52,692	54,519
Property taxes	17,481	16,051
Total other expenses	203,467	202,591
Total administrative costs	$ 1,978,282	$ 1,965,217
Total operating expenses	$ 3,977,368	$ 4,189,816