

CRESTVIEW MUTUAL WATER COMPANY, INC

Financial Statements

November 30, 2024

TABLE OF CONTENTS

	Page
Accountants' Review Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	8-14



LINDSAY
and
COMPANY,
LLP

*Certified
Public
Accountants*

Independent Accountants' Review Report

Board of Directors
Crestview Mutual Water Company, Inc
Camarillo, California

We have reviewed the accompanying financial statements of Crestview Mutual Water Company, Inc. (a nonprofit organization), which comprise the statement of financial position as of November 30, 2024, and the related statements of activities, functional expenses and cash flows for the year 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 organization 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 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 controls relevant to the preparation and fair presentation of the 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 American Institute of Certified Public Accountants. 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.

Accountant's 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 accordance with accounting principles generally accepted in the United States of America.

Lindsay and Company LLP

Lindsay and Company, LLP
Certified Public Accountants
Ventura, California

March 17, 2025

CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Financial Position
November 30, 2024

Assets

Current Assets

Cash and cash equivalents	\$ 1,678,961
Certificates of deposit	10,001
Accounts receivable	183,873
Other current assets	<u>82,188</u>

Total Current Assets 1,955,023

Property and Equipment

Net of accumulated depreciation 4,001,529

Other Noncurrent Assets

Cash, board designated for immediate or emergency needs 200,000

Total Noncurrent Assets 4,201,529

Total Assets **\$ 6,156,552**

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 182,255
Accrued expenses	<u>148,419</u>

Total Current Liabilities 330,674

Total Liabilities 330,674

Net Assets

Common stock, 2,498.77 shares issued and outstanding, no par value	208,000
Net assets, unrestricted, board designated	200,000
Net assets, unrestricted	<u>5,417,878</u>

Total Net Assets 5,825,878

Total Liabilities and Net assets **\$ 6,156,552**

CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Activities
For the Year Ended November 30, 2024

Changes in Unrestricted Net Assets

Revenues

Water sales	\$ 1,357,985
Service availability fees	359,199
Miscellaneous revenues	1,650
Loss on disposition of asset	(2,893)
Interest income	<u>52,970</u>
Total Unrestricted Revenue	1,768,911

Expenses

Operating/program expenses	1,243,679
Management and general expenses	<u>339,382</u>
Total Functional Expenses	1,583,061
Fire-related costs (Note 8)	<u>61,065</u>
Total Functional and Unusual Expenses	1,644,126

Increase (Decrease) in Unrestricted Net Assets 124,785

Net Assets as of November 30, 2023 5,701,093

Net Assets as of November 30, 2024 \$ 5,825,878

CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Cash Flows
For the Year Ended November 30, 2024

Cash Flows From Operating Activities

Increase (Decrease) in Net Assets	\$ 124,785
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Increase in accounts receivable	(36,810)
Decrease in prepaid expenses and other assets	45,889
Increase in accounts payable	118,905
Increase in accrued expenses	10,482
Depreciation and amortization	192,953
Loss on disposition of asset	<u>2,893</u>
Net Cash Provided by Operating Activities	459,097

Cash Flows From Investing Activities

Purchase of property, plant and equipment	<u>(29,975)</u>
Net Cash Used In Investing Activities	(29,975)

Cash Flows From Financing Activities

NONE

Net Increase in Cash and Cash Equivalents 429,122

Cash and Cash Equivalent as of November 30, 2023 1,249,839

Cash and Cash Equivalent as of November 30, 2024 \$ 1,678,961

Supplementary Cash Flow Information

Cash paid for income taxes	\$ 800
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CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Functional Expenses
For the Year Ended November 30, 2024

Operating/Program Expenses	<u>Amount</u>
Auto and truck	\$ 10,924
Computer	40,921
Depreciation and amortization	182,139
Employee benefits	32,425
Insurance	55,894
Miscellaneous	5,118
Outside services	87,776
Pension expense	28,800
Power	195,044
Regulatory compliance	57,377
Repairs and maintenance	25,023
Salaries and payroll taxes	355,871
Supplies	8,408
Telephone and telemetry	12,512
Water purchase	103,733
Water purification	<u>41,714</u>
Total Operating Expenses	\$ 1,243,679

Management and General Expenses	
Bank charges	\$ 5,623
Computer expense	28,733
Depreciation and amortization	10,814
Dues and subscriptions	6,525
Employee benefits	24,643
Insurance	2,233
Meeting costs	5,708
Office supplies	5,297
Outside services	5,501
Pension expense	8,550
Postage and shipping	4,573
Professional fees	89,884
Seminars and training	252
Salaries and payroll taxes	108,433
Taxes and licenses	22,949
Telephone	2,790
Internet	2,472
Utilities	<u>4,402</u>
Total Management and General Expenses	\$ <u>339,382</u>

Total Functional Expenses	\$ 1,583,061
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NOTES TO THE FINANCIAL STATEMENTS

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2024

Note 1: Summary of Significant Accounting Policies

Organization:

Crestview Mutual Water Company, Inc was incorporated as a not for profit mutual benefit organization on March 3, 1950, to provide water service to approximately 620 homes located in or near Camarillo, California.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues from contracts with customers are recognized when they are earned and expenses are recognized when they are incurred. The Company does not receive contributions, and therefore has no donor-restricted revenues, however should that change, donor contributions would be recognized when the promise to give is received by the Company and any conditions placed on the revenue have been met.

Cash and Cash Equivalents:

The Company considers all liquid investments with an original maturity of one year or less to be cash equivalents.

Cash Restrictions:

Board Designated for Capital Projects

On June 24, 2003, the Board adopted a resolution designating funds to be used for immediate or emergency needs only. The balance in these designated funds, as of November 30, 2024, is \$200,000. This restriction, voluntarily established by the Company Directors, may be removed by the Directors at any time.

Pledged as Collateral

The Company has \$10,000 held in a certificate of deposit held as collateral as a requirement by the County in the event that the Company's activities cause damage to county property.

Liquidity:

As of November 30, 2024, the Company has \$2,062,834 of financial assets available to meet cash needs for general expenditures within one year of the balance sheet date, consisting of \$1,880,628 in cash and money market savings and \$183,873 in accounts receivable. Should the Company require additional cash, the Board can raise water rates or approve a special assessment to generate more income, or authorize borrowing from one of several banks with which the Company has a banking relationship.

(Continued)

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition:

The Company recognizes water sales revenue at the point in time when water is delivered to the shareholders. The Company's performance obligations relating to water service include pumping ground water and delivering it to the shareholders, as well as maintaining the equipment and facilities necessary to perform these services. Shareholders are billed for water monthly, based on their usage, or as needed for other services rendered. Payment is due upon receipt, and is generally paid within thirty days.

Accounts Receivable:

Accounts receivable are stated at net realizable value. Management expects to collect all of the receivables reported on the balance sheet, and therefore no allowance for uncollectible receivables has been recorded. The balance of accounts receivable due from customers at November 30, 2024 and November 30, 2023 was \$183,873 and \$147,063, respectively.

Water Rights:

Water rights in the amount of \$100,000 were fully amortized in prior years.

Compensated Absences:

The Company accrues for accumulated and unused vacation time which vest and are payable upon termination. Sick leave is not included in the accrual, as the Company does not pay for unused sick time upon employee termination.

Lines of Credit:

The Company has an available line of credit with the Banc of California up to \$250,000, with a variable interest rate. The Company did not borrow against the line at any time during the year ended November 30, 2024.

Income Taxes:

The Corporation is exempt from Federal income tax under Internal Revenue Service Code section 501(c)(12). The Corporation is subject to State income taxation and the minimum Franchise tax.

For California income tax purposes, special assessment income is treated as capital contributions and is excluded from income taxation. The Company does not have material timing differences in recognition of income for tax and financial reporting. Accordingly, no provision for deferred taxes has been recorded.

(Continued)

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2024

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes (continued):

The Company is subject to routine audits by the Internal Revenue Service for fiscal years ended 2021 through 2023 and by the California Franchise Tax Board for fiscal years ended 2020 through 2023.

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, the 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.

Subsequent Events:

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 17, 2025, the date the financial statements were available to be issued.

Note 2: Significant Group Concentration of Credit Risks

The Company maintains bank accounts at financial institutions whose aggregate balances at times may exceed the federally insured maximum of \$250,000. Cash and cash equivalents include amounts held in Insured Cash Sweep (ICS) accounts, where the Company's cash is placed across multiple FDIC-insured banks to maximize FDIC insurance coverage. As of November 30, 2024, the total balance in ICS accounts was \$1,346,607, distributed among 6 banks. Each bank's portion of this balance is insured by the FDIC up to \$250,000 per depositor, per insured bank, thereby extending the total insurance coverage to \$1,500,000.

While this arrangement significantly reduces concentration risk, the Company is still exposed to the credit risk of the participating banks. The Company periodically reviews the financial stability and credit ratings of the banks within the IntraFi network to manage this risk. The balances in excess of FDIC insured amounts at November 30, 2024 is \$295,075.

Individually insignificant accounts receivable are due from residential customers, substantially all of whom are located in or near Camarillo, California. The Company believes that essentially all accounts receivable are collectible due to its ability to turn off water supply to non-paying customers and establish liens against real property.

(Continued)

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2024

Note 2: Significant Group Concentration of Credit Risks (continued)

Due to the geographical concentration of the Company's activities, revenues may fluctuate based on changes in water usage due to the level of rainfall, and the need to purchase water versus pumping from their wells.

Note 3: Fair Value Measurements

SFAS No. 157, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets and has the highest priority, and Level 3 inputs have the lowest priority.

The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. At November 30, 2024, all of the Company's investments are in cash or cash equivalents (certificates of deposit), which are valued at Level 1, based on quoted net asset values, in the amount of \$1,888,962.

Note 4: Property and Equipment

Ordinary expenditures for renewals and betterments are charged to expense. Major expenditures for renewals and betterments are capitalized at cost. In cases where assets are donated to the Company, construction costs or estimated fair values are recorded. Costs of assets sold, retired or otherwise disposed of have been eliminated from the accounts, and gains or losses on disposition are included in operations.

The cost of property and equipment is depreciated over the estimated useful lives of the assets using the straight-line method of depreciation, with estimated lives ranging from five to fifty years. Depreciation expense for the year ended November 30, 2024, is \$192,953.
(Continued)

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2024

Note 4: Property and Equipment (continued)

Fixed assets at November 30, 2024 consist of the following:

Land and land improvements	\$ 531,895
Vehicles	137,536
Buildings, equipment and furniture	349,538
Distribution lines	968,762
Filtration plants	1,275,853
Hydrants and meters	164,015
Pumping plants, pump houses and reservoirs	1,120,558
Transmission mains	1,213,613
Wells	2,339,954
Capitalized interest and engineering costs	372,970
Computers and software	<u>202,105</u>
Total fixed assets at cost	8,676,799
Less accumulated depreciation	<u>(5,966,678)</u>
Net depreciable assets	2,710,121
Construction in progress	<u>1,291,408</u>
 Net Fixed Assets	 \$ <u>4,001,529</u>

Note 5: Well Construction

In order to maintain a sufficient water supply for shareholders, the Company is in the early stages of building Well 7 and Well 8.

(Continued)

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2024

Note 5: Well Construction (continued)

The Company has selected two primary and one potential alternate site. A team of outside engineers is currently evaluating the two primary sites and may evaluate the third site, if requested. The evaluation is to determine the least costly site with the highest quality and quantity of water. Based on the results of this multifaceted study, the Board will select one site. The study is expected to be completed in the Spring of 2025. Approximately \$1,291,400 has been spent to date, including \$323,000 in capitalized interest costs. The Company paid off the construction loan in the prior year, and therefore did not have any capitalized interest during the year ended November 30, 2024.

In 2018, the Company entered into a contract with Calleguas Municipal Water District ("Calleguas") to build Well 8, which would be available to supply water to Calleguas in the event of an emergency. Calleguas originally agreed to reimburse the Company for the costs of constructing the well, up to \$2,100,000. Calleguas subsequently authorized an additional \$1,200,000 in cost for the construction of the well, increasing the total reimbursement to \$3,300,000. Due to multiple factors, the project has been unable to be completed as planned. The original contract was to terminate on October 8, 2024, but was extended by an amendment which permits the parties to explore alternatives. Both parties remain committed to reaching a mutually agreeable solution. Crestview has engaged an outside engineering firm to explore less asset-intensive ways to provide emergency backup water to Calleguas by using minimal upgrades and existing infrastructure.

Note 6: 401(k) Plan

The Company maintains a 401(k) Retirement Plan. Employer contributions to the plan, if any, are determined annually by the Board of Directors. For the year ended November 30, 2024, the Board has elected to contribute 9% of eligible employees' gross pay. The employees' gross pay is calculated on a calendar year basis. At November 30, 2024, the Company has accrued \$37,350 for contributions to the plan.

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2024

Note 7: Contingencies

The Company is a defendant in the matter Las Posas Valley Water Rights Coalition et al v. Fox Canyon Groundwater Management Agency. This matter involves adjudication of groundwater extraction rights within the Las Posas Basin. The Company provides water services to its shareholders, which relies in part on exercising groundwater extraction rights in the basin. The Court entered its Statement of Decision and Judgment on June 12, 2023. The judgment is being appealed. The Company does not expect the outcome to be material to their financial results.

The Company was unable to meet stipulated performance obligations contained in the contract with Calleguas Municipal Water District (see Note 5 also). The Company and Calleguas have entered into a contract amendment and are working together to seek a solution. However, if the Company and Calleguas are unable to reach a mutually agreeable alternative, the contract contains potential obligations of the Company to repay sums paid by Calleguas. No amount has been accrued, since the outcome of the matter is unknown and the amount of liability, if any, cannot be determined.

Two shareholders have sought damages from the Company for a sinkhole which developed on their properties, and for which they claim the Company is at fault. The Company has denied any responsibility for the sinkhole, and is seeking to reach a resolution with the shareholders. No amount has been accrued, as the outcome of this matter is unknown at this time, but should the Company fail to prevail, the maximum expected cost is approximately \$38,000.

Note 8: Unusual or Infrequent Items

On November 6, 2024 a wildfire known as the Mountain Fire erupted in and around the property owned by the Company and its shareholders. To date, the Company has incurred costs of \$61,065 related to the fire, including legal consultation and clean up, which are included in Program Costs. In addition, the Company lost a piece of equipment worth \$3,000 and an unknown amount of supplies. The Company expects to incur additional costs to dispose of the damaged supplies. The costs are unknown at this time, but are not expected to be material. The Company is still assessing whether it will file a loss claim with its insurance carrier.