

CRESTVIEW MUTUAL WATER COMPANY, INC

Financial Statements

November 30, 2018

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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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended. 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 the 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.

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 1, 2019

CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Financial Position
November 30, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 1,285,044
Certificates of deposit	10,003
Accounts receivable	139,842
Other current assets	<u>46,719</u>
Total Current Assets	1,481,608

Property, Plant and Equipment

Net of accumulated depreciation	2,952,189
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Noncurrent Assets

Cash, board designated for capital projects	<u>200,000</u>
Total Noncurrent Assets	<u>200,000</u>

Total Assets	<u>\$ 4,633,797</u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$ 65,153
Accrued expenses	<u>78,744</u>

Total Current Liabilities	<u>143,897</u>
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Total Liabilities	143,897
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Net Assets

Unrestricted	<u>4,489,900</u>
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Total Net Assets	<u>4,489,900</u>
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Total Liabilities and Net assets	<u>\$ 4,633,797</u>
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CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Activities
For the Year Ended November 30, 2018

Changes in Unrestricted Net Assets

Revenues

Water sales	\$ 1,424,621
Service availability fees	270,324
Miscellaneous revenues	3,968
Interest income	<u>10,306</u>
Total Unrestricted Revenue	1,709,219

Expenses

Operating expenses	1,424,607
Management and general expenses	<u>199,487</u>
Total Expenses	1,624,094

Increase (Decrease) in Unrestricted Net Assets 85,125

Net Assets as of November 30, 2017 4,404,775

Net Assets as of November 30, 2018 \$ 4,489,900

CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Cash Flows
For the Year Ended November 30, 2018

Cash Flows From Operating Activities

Increase in Net Assets	\$ 85,125
Non Cash Expenses:	
Depreciation and Amortization	244,412
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Decrease in accounts receivable	20,859
Increase in prepaid expenses and other assets	(1,846)
Decrease in accounts payable	(37,663)
Increase in accrued expenses	<u>22,661</u>
Net Cash Provided by Operating Activities	<u>333,548</u>

Cash Flows From Investing Activities

Purchase of property, plant and equipment	<u>(100,965)</u>
Net Cash Used In Investing Activities	(100,965)

Cash Flows From Financing Activities

NONE

Net Increase in Cash and Cash Equivalents

232,583

Cash and Cash Equivalent as of November 30, 2017

1,052,461

Cash and Cash Equivalent as of November 30, 2018

\$ 1,285,044

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, 2018

Operating Expenses	<u>Amount</u>
Auto and truck	\$ 7,849
Computer	6,122
Depreciation and amortization	226,895
Employee benefits	21,608
Engineering fees	3,579
Insurance	29,066
Miscellaneous	1,078
Outside Services	204,735
Pension expense	15,287
Power	92,074
Regulatory compliance	22,076
Repairs and maintenance	16,052
Salaries and payroll taxes	185,925
Scheduled Repairs	142,389
Supplies	3,407
Telephone and telemetry	2,632
Water purchase	426,181
Water purification	<u>17,652</u>
Total Operating Expenses	\$ 1,424,607
Management and General Expenses	
Bank charges	\$ 1,691
Computer expense	6,319
Depreciation and amortization	17,517
Dues and subscriptions	3,120
Employee benefits	20,105
Insurance	880
Meeting costs	2,201
Office supplies	3,956
Outside services	2,107
Pension expense	5,881
Postage and shipping	3,773
Professional fees	39,642
Seminars and training	200
Salaries and payroll taxes	73,242
Taxes and licenses	11,644
Telephone	2,660
Internet	1,717
Utilities	<u>2,832</u>
Total Management and General Expenses	\$ <u>199,487</u>
Total Functional Expenses	\$ 1,624,094

NOTES TO THE FINANCIAL STATEMENTS

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2018

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 600 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, unrestricted revenues are recognized when they are earned and expenses are recognized when they are incurred. Restricted revenues, if any, are recognized when expended for their restricted purposes.

Cash and Cash Equivalents:

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

Statement of Cash Flows:

The Company paid California Franchise taxes of \$800 during the year ended November 30, 2018.

Cash, Board Designated for Capital Projects:

In May 1997, the Board of Directors voted to set aside cash to be used for future capital improvements and replacements. The balance in these designated funds, as of November 30, 2018, is \$200,000. This restriction, voluntarily established by the Company Directors, may be removed by the Directors at any time.

Accounts Receivable:

Accounts receivable are stated at net realizable value. The Company recognizes bad debts using the specific identification method. Management expects to collect all of the receivables reported on the balance sheet.

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.

(Continued)

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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.

The Company is subject to routine audits by the Internal Revenue Service for fiscal years ended 2015 through 2017 and by the California Franchise Tax Board for fiscal years ended 2014 through 2017.

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 1, 2019, 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.

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. 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.

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2018

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, 2018, 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 \$1,495,047.

Note 4: Property, Plant, 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, 2018, is \$244,412.

(Continued)

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2018

Note 4: Property, Plant, and Equipment (Continued)

Fixed assets consist of the following:

Land and land improvements	\$ 541,939
Vehicles	86,142
Buildings and equipment	383,419
Fixtures, furnishings	6,504
Distribution lines	968,762
Filtration plants	1,275,853
Hydrants and meters	177,154
Pumping plants	650,434
Pump houses and reservoirs	457,701
Transmission mains	612,451
Wells	2,061,127
Capitalized costs	372,971
Computers and software	253,042
Construction in progress	<u>78,015</u>
Total fixed assets at cost	7,925,514
Less accumulated depreciation	<u>(4,973,325)</u>
Net Fixed Assets	<u>\$ 2,952,189</u>

Note 5: Expansion

In order to maintain a sufficient water supply for shareholders, the Company is in the early stages of building Well 7 and Well 8. During the current fiscal year, the Company applied for a low-interest, \$1,100,000 loan from the State Water Resource Control Board. The loan application is still in review, and the Company does not expect to receive notice of approval or rejection until near the end of 2019.

During the current fiscal year, the Company spent approximately \$78,000 on consultants, permits and gas installation toward Well 7. The Homeowners Association of the property on which the well site is located has filed a cease and desist in an effort to prevent the Company from installing the well on the property. The Company believes it will prevail and is continuing with its plans to complete this well in 2020.

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2018

Well 8 is being built under contract with Calleguas Municipal Water District ("Calleguas"). Calleguas will reimburse the Company for the costs of constructing the well up to \$2,100,000. During the current fiscal year an interconnection was built, partially using existing assets, which will be used to supply Calleguas' customers with water from Well 8 in the event of a natural disaster which causes a disruption in their state water deliveries. The Company expects to complete construction of the well within five years.

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, 2018, 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, 2018, the Company has accrued \$21,168 for contributions to the plan.