

CRESTVIEW MUTUAL WATER COMPANY, INC

Financial Statements

November 30, 2023

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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, 2023, 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

April 29, 2024

CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Financial Position
November 30, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 1,249,839
Certificates of deposit	10,014
Accounts receivable	147,063
Other current assets	<u>128,063</u>

Total Current Assets 1,534,979

Property, Plant and Equipment

Net of accumulated depreciation 4,167,400

Noncurrent Assets

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

Total Noncurrent Assets 200,000

Total Assets **\$ 5,902,379**

Liabilities and Net Assets

Current Liabilities

Accounts payable \$ 63,349
Accrued expenses 137,937

Total Current Liabilities 201,286

Total Liabilities 201,286

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 5,293,093

Total Net Assets 5,701,093

Total Liabilities and Net assets **\$ 5,902,379**

CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Activities
For the Year Ended November 30, 2023

Changes in Unrestricted Net Assets

Revenues

Water sales	\$ 962,081
Service availability fees	271,780
Miscellaneous revenues	6,379
Gain on sale of asset	(1,854)
Interest income	<u>37,391</u>
Total Unrestricted Revenue	1,275,777

Expenses

Operating/program expenses	1,247,524
Management and general expenses	<u>460,014</u>
Total Expenses	1,707,538

Increase (Decrease) in Unrestricted Net Assets (431,761)

Net Assets as of November 30, 2022 6,132,854

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

CRESTVIEW MUTUAL WATER COMPANY, INC
Statement of Cash Flows
For the Year Ended November 30, 2023

Cash Flows From Operating Activities

Increase (Decrease) in Net Assets	\$ (431,761)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Increase in accounts receivable	(13,002)
Increase in prepaid expenses and other assets	(21,661)
Decrease in accounts payable	(4,001)
Increase in accrued expenses	44,019
Depreciation and amortization	196,965
Loss on disposition of asset	1,856
Net Cash Provided by Operating Activities	<u>(227,585)</u>

Cash Flows From Investing Activities

Proceeds from sale of fixed assets	5,500
Purchase of property, plant and equipment	<u>(190,487)</u>
Net Cash Used In Investing Activities	(184,987)

Cash Flows From Financing Activities

Payments on notes payable	<u>(1,054,157)</u>
Net Cash Used in Financing Activities	(1,054,157)

Net Increase in Cash and Cash Equivalents (1,466,729)

Cash and Cash Equivalent as of November 30, 2022 2,716,568

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

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, 2023

Operating/Program Expenses	<u>Amount</u>
Auto and truck	\$ 10,566
Computer	12,897
Depreciation and amortization	186,261
Employee benefits	16,062
Insurance	43,274
Miscellaneous	1,877
Outside services	168,537
Pension expense	14,343
Power	192,098
Regulatory compliance	60,998
Repairs and maintenance	136,808
Salaries and payroll taxes	220,434
Scheduled Repairs	36,946
Supplies	12,362
Telephone and telemetry	10,840
Water purchase	27,178
Basin assessment	43,935
Water purification	<u>52,108</u>
Total Operating Expenses	\$ 1,247,524
Management and General Expenses	
Bank charges	\$ 3,608
Computer expense	21,982
Depreciation and amortization	10,704
Dues and subscriptions	5,424
Employee benefits	22,416
Insurance	1,507
Meeting costs	19,551
Office supplies	5,248
Outside services	28,129
Pension expense	7,996
Postage and shipping	4,102
Professional fees	206,561
Salaries and payroll taxes	95,274
Taxes and licenses	18,404
Telephone	1,963
Internet	2,374
Utilities	<u>4,771</u>
Total Management and General Expenses	\$ <u>460,014</u>
Total Functional Expenses	\$ 1,707,538

NOTES TO THE FINANCIAL STATEMENTS

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2023

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, 2023, 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, 2023, the Company has \$1,596,902 of financial assets available to meet cash needs for general expenditures within one year of the balance sheet date, consisting of \$1,449,839 in cash and money market savings and \$147,063 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.

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CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2023

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, 2023 and November 30, 2022 was \$147,063 and \$134,061, 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.

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 2020 through 2022 and by the California Franchise Tax Board for fiscal years ended 2019 through 2022.

(Continued)

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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 April 29, 2024, 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. The excess amount at November 30, 2023 is \$828,044.

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, 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.

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CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2023

Note 3: Fair Value Measurements (Continued)

At November 30, 2023, 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 \$1,459,853.

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, 2023, is \$196,965.

Fixed assets at November 30, 2023 consist of the following:

Land and land improvements	\$ 531,895
Vehicles	137,536
Buildings and equipment	343,034
Fixtures, furnishings	6,504
Distribution lines	968,762
Filtration plants	1,275,853
Hydrants and meters	164,015
Pumping plants	734,374
Pump houses and reservoirs	386,184
Transmission mains	1,213,613
Wells	2,339,954
Capitalized costs	695,978
Computers and software	202,105
Construction in progress	<u>941,425</u>
Total fixed assets at cost	9,941,232
Less accumulated depreciation	<u>(5,773,832)</u>
Net Fixed Assets	<u>\$ 4,167,400</u>

CRESTVIEW MUTUAL WATER COMPANY, INC
Notes To the Financial Statements
November 30, 2023

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.

A professional engineering firm completed a well siting study for Well 7 in February 2024. Based on this study, three potential well sites were selected by the Well 7 Advisory Committee for further evaluation. The Company is moving forward with hydrological engineering studies as the next step in the Well Construction Project. The project is expected to be completed within two to three years. Approximately \$941,000 has been spent to date, exclusive of interest costs. The transaction was financed through a \$1.5 million dollar loan from Community Bank of Santa Maria, which was paid off during the current fiscal year. The Company capitalized \$68,807 in interest on this note during the year ended November 30, 2023.

Well 8 is being built under contract with Calleguas Municipal Water District ("Calleguas"). 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. During a prior fiscal year an interconnection was built, partially using existing assets, which will be used to supply Calleguas' customers with water in the event of a natural disaster which causes a disruption in their state water deliveries. The Company is currently seeking a Conditional Use Permit from the City of Camarillo and 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, 2023, 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, 2023, the Company has accrued \$23,743 for contributions to the plan.

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 Judgement on June 12, 2023. The judgement is being appealed. The Company does not expect to experience any material financial consequences from the decision.