

**CRESTVIEW MUTUAL WATER COMPANY, INC**

**Financial Statements  
November 30, 2017**

## TABLE OF CONTENTS

	Page
Accountants' Review Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	7-11

## 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, 2017, 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

May 1, 2018

**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Statement of Financial Position**  
**November 30, 2017**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 1,052,461
Certificates of deposit	10,000
Accounts receivable	160,703
Other current assets	<u>44,873</u>
Total Current Assets	1,268,037

**Property, Plant and Equipment**

Net of Accumulated Depreciation	3,095,637
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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>\$ 4,563,674</u>

**Liabilities and Net Assets**

**Current Liabilities:**

Accounts payable	\$ 102,816
Accrued Expenses	<u>56,083</u>
Total Current Liabilities	<u>158,899</u>
Total Liabilities	158,899

**Net Assets**

Unrestricted	<u>4,404,775</u>
Total Net Assets	<u>4,404,775</u>
Total Liabilities and Net assets	<u>\$ 4,563,674</u>

**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Statement of Activities**  
**For the Year Ended November 30, 2017**

**Changes in Unrestricted Net Assets**

**Revenues**

Water Sales	\$ 1,278,268
Service availability fees	268,473
Miscellaneous revenues	7,611
Interest income	<u>9,320</u>
Total Unrestricted Revenue	1,563,672

**Expenses**

Operating expenses	1,156,872
Management and general expenses	<u>162,523</u>
Total Expenses	1,319,395

**Increase (Decrease) in Unrestricted Net Assets** 244,277

**Net Assets as of November 30, 2016** 4,160,498

**Net Assets as of November 30, 2017** \$ 4,404,775

**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Statement of Cash Flows**  
**For the Year Ended November 30, 2017**

**Cash Flows From Operating Activities**

Increase (decrease) in Net Assets	\$ 244,277
Non Cash Expenses:	
Depreciation and Amortization	247,676
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:	
Decrease (increase) in accounts receivable	(47,832)
Decrease (increase) in prepaid expenses and other assets	13,387
Increase (decrease) in accounts payable	33,778
Increase (decrease) in accrued expenses	<u>4,595</u>
Net Cash Provided by Operating Activities	<u>495,881</u>

**Cash Flows From Investing Activities**

NONE

**Cash Flows From Financing Activities**

NONE

**Net Increase (Decrease) in Cash and Cash Equivalents**

495,881

**Cash and Cash Equivalent as of November 30, 2016**

556,580

**Cash and Cash Equivalent as of November 30, 2017**

\$ 1,052,461

**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, 2017**

<b>Operating Expenses</b>	<u><b>Amount</b></u>
Auto and truck	\$ 8,578
Computer	2,619
Depreciation and amortization	230,130
Employee benefits	21,517
Engineering fees	14,185
Insurance	31,771
Miscellaneous	1,436
Outside Services	197,637
Pension expense	14,976
Power	100,503
Regulatory compliance	22,832
Repairs and maintenance	52,117
Salaries and payroll taxes	181,660
Scheduled Repairs	52,401
Supplies	7,458
Telephone and telemetry	2,592
Water purchase	192,685
Water purification	<u>21,775</u>
Total Operating Expenses	\$ 1,156,872

<b>Management and General Expenses</b>	
Bank charges	\$ 2,465
Computer expense	3,137
Depreciation and amortization	17,546
Dues and subscriptions	2,354
Employee benefits	21,100
Insurance	756
Meeting costs	3,747
Office supplies	3,610
Outside services	2,897
Pension administration	610
Pension expense	5,807
Postage and shipping	3,655
Professional fees	8,336
Seminars and training	300
Salaries and payroll taxes	70,450
Taxes and licenses	8,345
Telephone	2,431
Internet	1,889
Utilities	<u>3,088</u>
Total Management and General Expenses	\$ <u>162,523</u>

<b>Total Functional Expenses</b>	<b>\$ 1,319,395</b>
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## **NOTES TO THE FINANCIAL STATEMENTS**

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**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Notes To the Financial Statements**  
November 30, 2017

**Note 1: Summary of Significant Accounting Policies**

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**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, 2017.

**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, 2017, 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.

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**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Notes To the Financial Statements**  
November 30, 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

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**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 2014 through 2016 and by the California Franchise Tax Board for fiscal years ended 2013 through 2016.

**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 May 1, 2018, the date the financial statements were available to be issued.

**Note 2: Significant Group Concentration of Credit Risks**

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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, 2017**

**Note 3: Fair Value Measurements**

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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, 2017, 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 \$1,262,461.

**Note 4: Property, Plant, and Equipment**

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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, 2017, is \$247,676.

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**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Notes To the Financial Statements**  
November 30, 2017

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

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Fixed assets consist of the following:

Land and land improvements	\$ 541,939
Vehicles	86,142
Buildings & equipment	383,419
Fixtures, furnishings	6,504
Distribution lines	968,762
Filtration plants	1,275,853
Hydrants and meters	177,154
Pumping plants	627,485
Pump houses & reservoirs	457,701
Transmission mains	612,451
Wells	2,061,127
Capitalized Costs	372,971
Computers and Software	<u>253,042</u>
Total Fixed Assets at Cost	7,824,550
Less Accumulated Depreciation	<u>(4,728,913)</u>
Net Fixed Assets	<u>\$ 3,095,637</u>

**Note 5: Expansion**

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During fiscal year ended November 30, 2015, the Company's board of directors authorized and the Company purchased 0.55 acres of land for the purpose of expansion in anticipation of a new residential development to be built in the area during 2018. The purchase price was \$508,135 and was paid from current cash balances. In connection with the anticipated expansion, the Company also increased its existing credit line with its primary bank to \$500,000. The Company had no borrowings under the credit line at November 30, 2017.

**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Notes To the Financial Statements**  
November 30, 2017

**Note 6: 401(k) Plan**

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The Company maintains a Safe Harbor 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, 2017, 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, 2017, the Company has accrued \$20,783 for contributions to the plan.

**Note 7: Subsequent Event**

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In December, 2017, Crestview agreed to participate in negotiations with Calleguas Municipal Water to fund the construction of a new well. Per the negotiations, Crestview will provide the up front capital and will construct the well, and Calleguas will reimburse Crestview for the costs. In exchange, Calleguas will have the right to purchase water from Crestview at specified rates in the event that their own water supply becomes unavailable. Construction of the new well is expected to begin in late 2018 or early 2019.