

**CRESTVIEW MUTUAL WATER COMPANY, INC**

**Financial Statements**

**November 30, 2020**

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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, 2020, 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**

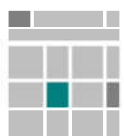
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures 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  
April 5, 2021



**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Statement of Financial Position**  
**November 30, 2020**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 2,615,479
Certificates of deposit	10,008
Accounts receivable	185,374
Other current assets	<u>110,858</u>
Total Current Assets	2,921,719

**Property, Plant and Equipment**

Net of accumulated depreciation	3,713,547
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**Noncurrent Assets**

Cash, board designated for immediate or emergency needs	<u>200,000</u>
Total Noncurrent Assets	<u>200,000</u>

<b>Total Assets</b>	<b><u>\$ 6,835,266</u></b>
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**Liabilities and Net Assets**

**Current Liabilities:**

Accounts payable	\$ 180,519
Accrued expenses	86,357
Current portion of notes payable	<u>126,241</u>
Total Current Liabilities	<u>393,117</u>

**Noncurrent Liabilities:**

Notes Payable, net of current portion	1,177,982
Total Noncurrent Liabilities	<u>1,177,982</u>
Total Liabilities	1,571,099

**Net Assets**

Unrestricted	<u>5,264,167</u>
Total Net Assets	<u>5,264,167</u>

<b>Total Liabilities and Net assets</b>	<b><u>\$ 6,835,266</u></b>
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**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Statement of Activities**  
**For the Year Ended November 30, 2020**

**Changes in Unrestricted Net Assets**

**Revenues**

Water sales	\$ 1,515,453
Service availability fees	270,121
Miscellaneous revenues	3,329
Interest income	<u>17,493</u>
Total Unrestricted Revenue	1,806,396

**Expenses**

Operating expenses	1,246,101
Management and general expenses	<u>342,915</u>
Total Expenses	1,589,016

**Increase (Decrease) in Unrestricted Net Assets  
from operations**

217,380

**Infrequent Item:**

Conveyance of Water System Improvement	<u>592,880</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<b>810,260</b>

**Net Assets as of December 01, 2019**

4,453,907

**Net Assets as of November 30, 2020**

**\$ 5,264,167**

**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Statement of Cash Flows**  
**For the Year Ended November 30, 2020**

**Cash Flows From Operating Activities**

Increase (Decrease) in Net Assets	\$ 810,260
Non Cash Income and Expenses:	
Conveyance of Water System Improvement	(592,880)
Depreciation and Amortization	272,490
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Increase in accounts receivable	(37,028)
Increase in prepaid expenses and other assets	(66,745)
Increase in accounts payable	62,909
Increase in accrued expenses	<u>12,019</u>
Net Cash Provided by Operating Activities	<u>461,025</u>

**Cash Flows From Investing Activities**

Purchase of property, plant and equipment	<u>(400,108)</u>
Net Cash Used In Investing Activities	(400,108)

**Cash Flows From Financing Activities**

Payments on Notes Payable	<u>(119,547)</u>
Net Cash Used in Financing Activities	<u>(119,547)</u>

**Net Increase in Cash and Cash Equivalents**

(58,630)

**Cash and Cash Equivalent as of December 01, 2019**

2,674,109

**Cash and Cash Equivalent as of November 30, 2020**

\$ 2,615,479

**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, 2020**

<b>Operating Expenses</b>	<u><b>Amount</b></u>
Auto and truck	\$ 6,771
Computer	6,018
Depreciation and amortization	255,062
Employee benefits	22,340
Insurance	30,246
Miscellaneous	769
Outside Services	189,589
Pension expense	14,977
Power	104,369
Regulatory compliance	25,938
Repairs and maintenance	52,685
Salaries and payroll taxes	190,999
Scheduled Repairs	1,228
Supplies	12,673
Telephone and telemetry	2,247
Water purchase	312,132
Water purification	<u>18,058</u>
Total Operating Expenses	\$ 1,246,101
<b>Management and General Expenses</b>	
Bank charges	\$ 453
Computer expense	5,520
Depreciation and amortization	17,428
Dues and subscriptions	4,892
Employee benefits	20,253
Insurance	1,013
Meeting costs	3,388
Office supplies	4,224
Outside services	4,400
Pension expense	6,561
Postage and shipping	3,564
Professional fees	161,303
Seminars and training	170
Salaries and payroll taxes	80,112
Taxes and licenses	21,852
Telephone	2,543
Internet	1,756
Utilities	<u>3,483</u>
Total Management and General Expenses	\$ <u>342,915</u>
<b>Total Functional Expenses</b>	<b>\$ 1,589,016</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

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**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Notes To the Financial Statements**  
**November 30, 2020**

**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 received a conveyance of water system improvement in the amount of \$592,880 during the year ended November 30, 2020. See also Note 4 "Property and Equipment".

The Company paid California Franchise taxes of \$800 during the year ended November 30, 2020.

**Cash, Board Designated for Capital Projects:**

On June 24, 2003, the Board adopted a resolution designating these funds to be used for immediate or emergency needs only. The balance in these designated funds, as of November 30, 2020, 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, 2020**

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**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 2017 through 2019 and by the California Franchise Tax Board for fiscal years ended 2016 through 2019.

**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 5, 2021, 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, 2020**

**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, 2020, 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 \$2,625,487.

**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.

During the year ended November 30, 2020, the Company received a conveyance from Calleguas Municipal Water District ("Calleguas") of an intertie between Calleguas and Crestview Mutual Water Company. The conveyance is valued at Calleguas' construction cost of \$592,880.

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, 2020, is \$272,490.

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**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Notes To the Financial Statements**  
**November 30, 2020**

**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	387,485
Fixtures, furnishings	6,504
Distribution lines	968,762
Filtration plants	1,275,853
Hydrants and meters	177,154
Pumping plants	734,374
Pump houses and reservoirs	457,701
Transmission mains	1,213,613
Wells	2,064,013
Capitalized costs	502,773
Computers and software	292,885
Construction in progress	<u>489,117</u>
Total fixed assets at cost	9,198,315
Less accumulated depreciation	<u>(5,484,768)</u>
Net Fixed Assets	\$ <u>3,713,547</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 spent approximately \$310,000 on consultants, permits and gas installation toward Well 7. During the prior fiscal year, the Company also entered into an Installment Purchase Agreement with Holman Capital Corporation for \$1.5 million dollars to fund Well 7. The transaction was financed through Community Bank of Santa Maria. Please see Note 7 for more detail on the note payable.

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**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Notes To the Financial Statements**  
**November 30, 2020**

**Note 5: Expansion (Continued)**

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 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 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, 2020, 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, 2020, the Company has accrued \$ 21,538 for contributions to the plan.

**Note 7: Notes Payable**

During the prior fiscal year, the Company entered into an Installment Purchase Agreement with Holman Capital Corporation for \$1.5 million dollars at 5.5% interest rate. As mentioned in Note 5, this transaction was financed through Community Bank of Santa Maria. The loan is secured by the related escrow funds and the Company's Net Water Revenues and is payable in 120 monthly installments of \$16,278.94, including interest. The maturity date of the loan is April 23, 2029. The following is a summary of the notes payable with the current and long term maturity.

Current maturities	\$ 126,241
Notes Payable, less current maturities	<u>1,177,982</u>
Total Notes Payable	\$ 1,304,223

**Note 8: 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 right 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 result may be a determination of the water rights held collectively by the shareholders as rights appurtenant to the land held by each shareholder. This matter may increase water delivery costs to its shareholders.

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**CRESTVIEW MUTUAL WATER COMPANY, INC**  
**Notes To the Financial Statements**  
**November 30, 2020**

**Note 8: Contingencies (Continued)**

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The case will require the court to determine water rights within the basin for all parties. The Company does not expect to experience any material financial consequences from any decision.

In connection with the Well 7 expansion, the Company is in a dispute with certain shareholders who are members of the Las Posas Hills Owners Association (HOA), who are objecting to the installation of a new well within the HOA. The Company has been negotiating with the HOA, and is currently seeking approval of the well from the County of Ventura. The outcome of this matter is currently not known, but it may increase water delivery costs to its shareholders.