



California Public Utilities Commission
Division of Water and Audits

Financial Audit of
Fruitridge Vista Water Company
Financial Statements
For the Years Ended December 31, 2014 and 2013

September 27, 2016



Acknowledgement

**The following Commission Staff contributed to the completion of this audit report:
Kayode Kajopaiye, Raymond Yin, Sharmin Wellington and Bridget Sieren-Smith**

**Audit of Financial Statements of
Fruitridge Vista Water Company
For the Years Ended December 31, 2014 and 2013**

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PUBLIC UTILITIES COMMISSION

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Report of Independent Auditors

Robert C. Cook Jr., President
Fruitridge Vista Water Company (FVWC)
1108 2nd Street,
Sacramento, CA 95814

Report on the Financial Statements

The Utility Audit, Finance and Compliance Branch (UAFCB) of the California Public Utilities Commission (Commission) has audited the accompanying financial statements of Fruitridge Vista Water Company (FVWC), which are comprised of the balance sheets as of December 31, 2014 and 2013, and the related statements of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

FVWC's management is responsible for the preparation and fair presentation of the financial statements presented in the 2014 and 2013 annual reports filed with the Commission. The Commission requires that the statements be in accordance with the accounting requirements of the Commission as set forth in the Uniform System of Accounts (USOA) for Water Utilities, as described in Note 1 to the Notes to the Financial Statements attached herein. Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

The responsibility of the UAFCB is to express an opinion on FVWC's financial statements based on our audits. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, except for the balances of Water Plant in Service, and Retained Earnings as described in the following paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Fruitridge Vista Water Company as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting requirements of the Commission as set forth in the USOA for Water Utilities, described in Note 1.

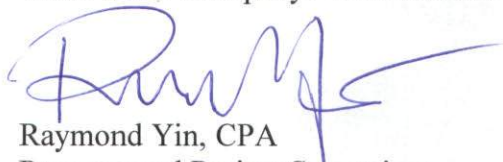
Due to the lack of sufficient supporting documentation of the historical cost of Water Plant in Service, and Retained Earnings, UAFCB could not attest to the balances of these accounts as of December 31, 2014 and 2013. Therefore, UAFCB does not express any opinion on those balances.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared by FVWC on the basis of the accounting requirements of the California Public Utilities Commission as set forth in the Uniform System of Accounts for Water Utilities, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Use of Report

The report is intended solely for the information and use by the Commission and Fruitridge Vista Water Company. It should not be used by anyone other than the specified parties.



Raymond Yin, CPA
Program and Project Supervisor
Utility Audit, Finance and Compliance Branch

**Audit of Financial Statements of
Fruitridge Vista Water Company
For the Years Ended December 31, 2014 and 2013**

Balance Sheets

	As of December 31 for the Year	
	2014	2013
ASSETS		
UTILITY PLANT		
Water Plant in Service – Excluding SDWBA (Note 1)	\$24,043,276	\$24,056,267
Water Plant in Service – SDWBA	4,386,697	4,386,697
Construction Work In Progress - Water Plant	5,007	5,007
Accumulated Depreciation of Water Plant	(4,943,305)	(4,470,997)
Accumulated Amortization of SDWBA Loan	(425,318)	(332,408)
Water Plant Acquisition Adjustment	<u>110,312</u>	<u>110,312</u>
Net Utility Plant	23,176,669	23,754,878
INVESTMENTS		
Non-water Utility Property and Other Assets	372,395	119,587
Accumulated Depreciation of Non-Utility Property	<u>(11,843)</u>	<u>(11,843)</u>
Total Investments	360,552	107,744
CURRENT AND ACCRUED ASSETS		
Cash	96,426	78,311
Special Accounts (Note 1)	539,993	580,068
Accounts Receivable - Customers	157,743	178,532
Materials and Supplies	35,664	34,731
Other Current Assets	79,848	67,834
Deferred Charges	<u>2,528,667</u>	<u>2,814,796</u>
Total Current and Accrued Assets	<u>3,438,341</u>	<u>3,754,272</u>
Total Assets	<u>\$26,975,562</u>	<u>\$27,616,894</u>

(The accompanying notes and the appendices are an integral part of these Financial Statements)

Balance Sheets (Continued)

	As of December 31 for the Year	
	2014	2013
CAPITALIZATION AND LIABILITIES		
CORPORATE CAPITAL AND SURPLUS		
Common Stock	\$1,753,171	\$1,753,171
Other Paid-in Capital	26,818	26,818
Retained Earnings	<u>6,526,232</u>	<u>6,523,766</u>
Total Corporate Capital and Surplus	8,306,221	8,303,755
LONG-TERM DEBT		
Long-term Debt	4,098,402	4,463,389
CURRENT AND ACCRUED LIABILITIES		
Accounts Payable	191,865	191,899
Short-term Notes Payable	397,591	372,145
Customer Deposits	2,100	2,100
Accrued Taxes	14,778	11,132
Accrued Interest	13,762	24,163
Other Current Liabilities	<u>48,867</u>	<u>14,773</u>
Total Current and Accrued Liabilities	668,963	616,212
DEFERRED CREDITS		
Advances for Construction	26,696	29,292
Other Credits	<u>71,221</u>	<u>159,239</u>
Total Deferred Credits	97,917	188,531
CONTRIBUTION IN AID OF CONSTRUCTION		
Contribution In Aid of Construction (Note 3)	15,746,561	15,691,409
Accumulated Amortization of Contributions (Note 3)	<u>(1,942,502)</u>	<u>(1,646,402)</u>
Net Contribution In Aid of Construction	<u>13,804,059</u>	<u>14,045,007</u>
Total Capitalization and Liabilities	<u>\$26,975,562</u>	<u>\$27,616,894</u>

(The accompanying notes and the appendices are an integral part of these Financial Statements)

Income Statements

	For the Year of	
	2014	2013
OPERATING REVENUES		
Unmetered Water Revenue	\$1,626,580	\$1,727,514
Fire Protection Revenue	17,626	17,210
Metered Water Revenue	1,034,932	1,030,194
Other Water Revenue	<u>8,640</u>	<u>9,912</u>
Total Operating Revenues (Note 1)	2,687,778	2,784,830
OPERATING EXPENSES		
Plant Operation and Maintenance Expenses		
Purchase Water	3,967	3,901
Power	160,541	264,693
Other Volume Related Expenses	20,801	24,929
Employee Labor	365,025	354,753
Materials	48,533	77,794
Contract Work	97,481	82,552
Transportation Expenses	67,545	85,257
Other Plant Maintenance Expenses	<u>80,199</u>	<u>70,485</u>
Total Plant Operation and Maintenance Expense	844,092	964,364
Administrative and General Expenses		
Office Salaries	169,238	163,177
Management Salaries	270,455	263,477
Employee Pensions and Benefits	265,668	265,125
Uncollectible Accounts Expense	2,114	2,894
Office Services and Rentals	62,640	60,840
Office Supplies and Expenses	58,397	58,413
Professional Services	43,756	53,888
Insurance	79,283	80,263
Regulatory Commission Expense	17,898	43,785
General Expenses	28,492	25,921
Expenses Capitalized	<u>(48,002)</u>	<u>(38,148)</u>
Total Administrative and General Expenses	949,939	979,635
Total Operating Expenses	1,794,031	1,943,999
Depreciation Expense (Note 1)	176,801	151,973
SDWBA Loan Amortization Expense	92,910	92,910
Taxes Other Than Income Taxes	93,287	84,836
State Corporate Income Tax Expense	<u>7,118</u>	<u>7,262</u>
Total Operating Revenue Deductions	2,164,147	2,280,980
Total Utility Operating Income	523,631	503,850
Non-utility Income	2,737	2,242
Miscellaneous Non-utility Expense	(30,405)	(38,706)
Interest Expense	<u>(31,994)</u>	<u>(57,593)</u>
Total Other Income and Deductions	(59,662)	(94,057)
Net Income	<u>\$463,969</u>	<u>\$409,793</u>

(The accompanying notes and the appendices are an integral part of these Financial Statements)

Statements of Retained Earnings

	For the Year of	
	2014	2013
Retained Earnings, Beginning of Year	\$6,523,766	\$2,375,382
CREDITS:		
Net Income	463,969	409,793
UAFCB Adjustment to Unmetered Revenue	0	4,163
UAFCB Adjustment to Contribution in Aid of Construction	4,386,697	4,386,697
UAFCB Adjustment to SDWBA Loan Amortization Expense	92,910	92,910
UAFCB Adjustment to Purchase Water Expense	2,061	0
UAFCB Adjustment to Accounts Payable	25,636	0
UAFCB Cumulative Adjustment to Beginning Balance (See Note 1)	<u>(4,048,447)</u>	<u>0</u>
Total Credits	922,826	4,893,563
DEBITS:		
Dividend	(437,021)	(327,995)
UAFCB Adjustment to Accumulated Amortization of SDWBA Loan	(307,046)	(246,609)
UAFCB Adjustment to Materials and Supplies	(3,286)	(3,200)
UAFCB Adjustment to Long-term Debt	(5,454)	(3,720)
UAFCB Adjustment to Short-term Notes Payable	(118,272)	(296)
UAFCB Adjustment to SDWBA Loan Accumulated Amortization of Contribution	(6,411)	(85,799)
UAFCB Adjustment to Metered Revenue	0	(5,825)
UAFCB Adjustment to Depreciation Expense	(42,870)	(70,587)
UAFCB Adjustment to Taxes on Real and Personal Property	<u>0</u>	<u>(1,148)</u>
Total Debits	(920,360)	(745,179)
Retained Earnings, End of Year	<u>\$6,526,232</u>	<u>\$6,523,766</u>

(The accompanying notes and the appendices are an integral part of these Financial Statements)

Statements of Retained Earnings Footnotes:

(1) This amount represents the cumulative adjustments to the reported beginning balance of Retained Earnings as of January 1, 2013. Detailed computation is shown below:

Retained Earnings as of 12/31/2013 - As Reported	\$2,475,319
Retained Earnings as of 12/31/2013 - As Computed	6,523,766
Variance - UAFCB Cumulative Adjustments to Beginning Balance	<u><u>(\$4,048,447)</u></u>

Statements of Cash Flows

	For the Year of	
	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income	\$463,969	\$409,793
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities		
Depreciation ¹	472,308	498,273
Amortization ²	92,910	279,082
Decrease (Increase) in Special Deposits	40,075	(100,855)
Decrease (Increase) in Accounts Receivable - Customers	20,789	13,436
Decrease (Increase) in Materials and Supplies	(933)	13,590
Decrease (Increase) in Other Current Assets	(12,014)	55,398
Decrease (Increase) in Deferred Charges	286,129	225,282
Increase (Decrease) in Accounts Payable	(34)	68,235
Increase (Decrease) in Short-term Notes Payable	25,446	(41,119)
Increase (Decrease) in Customer Deposits	0	1,523
Decrease (Increase) in Accrued Taxes	3,646	(2,523)
Decrease (Increase) in Accrued Interest	(10,401)	(531)
Increase (Decrease) in Other Current Liabilities	34,094	(542)
Increase (Decrease) in Advances for Construction	(2,596)	(2,597)
Increase (Decrease) in Other Credits	<u>(88,018)</u>	<u>68,255</u>
Net Cash Provided by Operating Activities	1,325,370	1,484,700
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Plant Additions	12,991	(197,186)
Decrease (Increase) in Construction Work in Progress	0	9,468
Increase (Decrease) in Contributions In Aid of Construction	55,152	(4,385,697)
Decrease (Increase) in Accumulated Amortization of Contributions	(296,100)	(242,074)
Decrease (Increase) in Non-Utility Property and Other Assets	(252,808)	(107,744)
Decrease (Increase) in Other Investment	0	43,750
UAFCB Cumulative Adjustments to Retained Earnings ³	<u>(461,503)</u>	<u>3,738,592</u>
Net Cash Used for Investing Activities	(942,268)	(1,140,891)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-term Debt	<u>(364,987)</u>	<u>(316,973)</u>
Net Cash Used for Financing Activities	(364,987)	(316,973)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,115	26,836
CASH AT BEGINNING OF YEAR	78,311	51,475
CASH AT END OF YEAR	<u>\$96,426</u>	<u>\$78,311</u>

(The accompanying notes and the appendices are an integral part of these Financial Statements)

¹ For Statements of Cash Flows purpose, UAFCB included \$472,308 and \$498,273 of Depreciation Expense for Years 2014 and 2013, respectively.

² For Statements of Cash Flows purpose, UAFCB included \$92,910 and \$279,082 of SDWBA Loan Amortization Expense for Years 2014 and 2013, respectively.

³ For Year 2014, the total UAFCB adjustment of \$461,503 to Retained Earnings was presented in the 2014 Summary of Audit Adjustments. For Year 2013, the total UAFCB debit adjustment of \$3,738,592 was presented in the Summary of Audit Adjustments.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Fruitridge Vista Water Company (FVWC) was originally incorporated in the State of California in October 1950, and owned and operated by D. J. Nelson (aka Jane Cook) Trust dba Fruitridge Vista Water Company. Cook Endeavors was incorporated in May 2007 dba Fruitridge Vista Water Company. On December 20, 2007, Commission Decision (D.) 07-12-031 authorizes the transfer of FVWC's assets and operations to Cook Endeavors, Inc. from D.J. Nelson Trust. FVWC is a privately owned Class B water company serving approximately 1,076 metered customers and 3,656 unmetered customers in four square miles of the unincorporated area of Sacramento.

FVWC leases the office and warehouse buildings from Six Bar C, LLC. The Six Bar C, LLC, is owned and operated by Robert Cook Jr., the President and trustee of FVWC.

The Company has prepared the accompanying financial statements on the basis of accounting set forth in the Uniform System of Accounts for Water Utilities adopted and prescribed by the California Public Utilities Commission (the CPUC or Commission), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis of accounting, certain transactions, such as adjustments of certain estimated operating expenses related to prior years and gains on the sale of property rights, have been recorded directly in the statements of retained earnings. Accounting principles generally accepted in the United States of America would require such transactions to be recorded in the statement of income.

(a) Appendices

The accompanying Appendices are an integral part of the financial statements. Appendix A and Appendix B present the net financial impact resulting from UAFCB's audit adjustments for Years 2014 and 2013, respectively. Appendix C and Appendix D summarize the detail UAFCB audit adjustments for Years 2014 and 2013, respectively.

(b) Water Plant in Service

Utility plant is recorded at the original cost when it was first constructed or purchased. Retired utility plants were removed from utility plant accounts based on estimated cost and charged against accumulated depreciation.

(c) Depreciation of Water Plant

Depreciation is computed using a separate composite rate for each class of asset. The composite rate ranges from, for instance, structures at 1.62% to transportation equipment at 15.13% with varying service life for each class of asset.

(d) Special Accounts

The Special Accounts balances represent the cash balances collected via surcharges from its customers for Safe Drinking Water Bond Act (SDWBA), Special Facilities Fees, County of Sacramento loan repayment accounts, etc. The SDWBA surcharge is

applicable to each customer. The Special Facilities Fees are applicable to all customers applying for services from the Utility in the territory served for premises not previously connected to its distribution mains, and for additional service connections to existing premises.

(e) Revenues

Over 98% of FVWC revenues are obtained from metered service and flat rate service to its customers. In addition, a small portion of FVWC revenue is from private fire protection service. FVWC computed its water revenues based on tariffs approved by the Commission.

(f) Amortization of Safe Drinking Water Bond Act (SDWBA) Loan

FVWC has a non-interest bearing SDWBA Loan of \$4,386,697 from the Department of Water Resources (DWR). The SDWBA Loan was originated in 2007 for a 20-year period and will mature in April 2027. Due to lack of water resources, FVWC entered into an agreement with the City of Sacramento in February 2007, to purchase up to 3.24 million gallons of water per day from the City of Sacramento. In June 2007, FVWC received \$2.8 million of the SDWBA Loan to pay for the water rights to connect to the City for Sacramento's water system. Excluding the aforementioned \$2.8 million intangible asset (i.e., water rights), the remaining balance of \$1,540,242 of the SDWBA loan is amortizable.

FVWC did not amortize the loan amount over the life of the loan as stipulated under the USOA rules. Instead, FVWC was amortizing \$32,473 per year based on the assets' lives. The amortization should have been \$92,910 per year for 2013 and 2014 based on the life of the loan. The reported accumulated amortization balances were \$85,799 and \$118,272 as of December 31, 2013 and 2014, respectively.

UAFCB amortized the amortizable portion of the SDWBA loan over its life per USOA guidelines. The audited SDWBA loan balances were \$3,087,407 and 2,787,696 as of December 31, 2013 and 2014, respectively. Likewise, the audited accumulated amortization balances were \$332,408 and \$424,318 as of December 31, 2013 and 2014, respectively. In addition, UAFCB reclassified the SDWBA loan from Contributions in Aid of Construction because it is not a contribution but a loan that is subject to repayment.

(2) Contributions In Aid of Construction (CIAC) and Accumulated Amortization of Contributions

CIAC represents nonrefundable contributions of cash or property received from various parties for purposes of constructing additions to utility plant. However, FVWC included SDWBA Loan in the CIAC. Depreciation applicable to such contributed plant is charged against the CIAC account rather than to depreciation expense until the amount applicable to such properties has been completely amortized.

(3) Annual Reports

Per California Public Utilities Code, Sections 581, 582, and 584, FVWC is required to file an annual report with the Commission every year. For the years being audited, FVWC has complied with these requirements.

Appendix A

Summary of Net Financial Impact Resulting from UAFCB's Audit Adjustments for Year 2014

The following is a summary of net financial impact resulting from UAFCB's audit adjustments for Year 2014.

Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct No.		Debit	Credit

Net Financial Impact on Balance Sheets Items:

1	A	2	c	101	Water Plant in Service (excluding SDWBA)		\$252,808
2	A	12	c	108.1	Accumulated Amortization of SDWBA Loan		\$307,046
1,3,6,7	A	19	c	121	Non-water Utility Property and Other Assets	\$360,552	
3	A	23	c	124	Other Investments		\$43,750
4	A	33	c	151	Materials and Supplies		\$3,286
5,6	A	34	c	174	Other Current Assets		\$61,281
8	A	41	c	201	Common Stock	\$26,818	
8	A	43	c	211	Other Paid-in Capital		\$26,818
2,4,9, 10,11, 12,13, 14,16, 22,23	A	44	c	215	Retained Earnings		\$4,023,965
9,10	A	53	c	224	Long-Term Debt		\$5,454
11	A	57	c	231	Accounts Payables	\$25,636	
15	A	59	c	233	Customer Deposits		\$1,000
5,12	A	78	c	271	Contributions in Aid of Construction	\$4,385,697	
13	A	79	c	272	Accumulated Amortization of Contributions		\$118,272

Net Financial Impact on Income Statements Items:

14	B-1	13	b	470	Metered Water Revenue		\$6,411
15	B-1	21	b	480	Other Water Revenue	\$1,000	
16	B-2	1	b	610	Purchased Water	\$2,061	
17, 18	B-2	8	b	660	Transportation Expense		\$13,601
19	B-2	9	b	664	Other Plant Maintenance Expenses		\$2,640
20	B-2	12	b	670	Office Salaries		\$12,242
21,24	B-2	14	b	674	Employee Pensions and Benefits		\$7,458
17,18, 20	B-2	21	b	689	General Expense	\$22,633	
22	B	3	c	403	Depreciation Expense		\$42,870

Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct No.		Debit	Credit
23	B	4	c	407	SDWBA Loan Amortization Expense	\$92,910	
24,25	B	5	c	408	Taxes Other Than Income Taxes		\$15,947
7	B	10	c	421	Non-utility Income		\$1,713
17,19, 21,25	B	11	c	426	Miscellaneous Non-Utility Expense	\$29,255	

Appendix B

Summary of Net Financial Impact Resulting from UAFCB's Audit Adjustments for Year 2013

The following is a summary of net financial impact resulting from UAFCB's audit adjustments for Year 2013.

Audit Adj. No.	Annual Report				Description	For the Year 2013	
	Sch.	Line	Col.	Acct No.		Debit	Credit
<u>Net Financial Impact on Balance Sheets Items:</u>							
1	A	12	c	108.1	Accumulated Amortization of SDWBA Loan		\$246,609
2,5,6	A	19	c	121	Non-water Utility Property and Other Assets	\$107,744	
2	A	23	c	124	Other Investments		\$43,750
3	A	33	c	151	Materials and Supplies		\$3,200
4,5	A	34	c	174	Other Current Assets		\$61,281
7	A	41	c	201	Common Stock	\$26,818	
7	A	43	c	211	Other Paid-in Capital		\$26,818
1,3,8 10,11,1 2,13,14, 23,24,2 5	A	44	c	215	Retained Earnings		\$4,066,586
8,9,10	A	53	c	224	Long-Term Debt		\$26,137
15	A	57	c	231	Accounts Payable		\$339
8,9	A	58	c	232	Short-Term Notes Payables	\$22,121	
4,11	A	78	c	271	Contributions in Aid of Construction	\$4,385,697	
12	A	79	c	272	Accumulated Amortization of Contributions		\$85,799
<u>Net Financial Impact on Income Statements Items:</u>							
13	B-1	1	b	460	Unmetered Water Revenue	\$4,163	
14	B-1	13	b	470	Metered Water Revenue		\$5,825
15	B-2	1	b	610	Purchased Water	\$1,230	
16	B-2	6	b	640	Materials		\$2,684
16, 17	B-2	7	b	650	Contract Work		\$469
18	B-2	8	b	660	Transportation Expense		\$17,731
15,19	B-2	9	b	664	Other Plant Maintenance Expenses		\$1,831
18,19,2 1,26	B	11	c	426	Miscellaneous Non-utility Expense	\$34,306	
20	B-2	12	b	670	Office Salaries		\$12,210

Audit Adj. No.	Annual Report				Description	For the Year 2013	
	Sch.	Line	Col.	Acct No.		Debit	Credit
21	B-2	14	b	674	Employee Pensions and Benefits		\$10,472
22	B-2	18	b	682	Professional Services		\$6,706
22	B-2	20	b	688	Regulatory Commission Expense	\$6,706	
15,17, 18,20	B-2	21	b	689	General Expense	\$21,773	
23	B	3	c	403	Depreciation Expense		\$70,587
24	B	4	c	407	SDWBA Loan Amortization Expense	\$92,910	
25, 26	B	5	c	408	Taxes Other Than Income Taxes		\$12,721
6	B	10	c	421	Non-utility Income		\$1,713

Appendix C

Summary of Audit Adjustments for Year 2014

Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct No.		Debit	Credit
1	A	19	c	121	Non-water Utility Property and Other Assets	\$252,808	
	A	2	c	101	Water Plant in Service (excluding SDWBA) <i>To reclassify Water Plant in Service to agree with the audited amount.</i>		\$252,808
2	A	44	c	215	Retained Earnings	\$307,046	
	A	12	c	108.1	Accumulated Amortization of SDWBA Loan <i>To adjust the reported SDWBA Loan Accumulated Amortization to agree with the audited amount.</i>		\$307,046
3	A	19	c	121	Non-water Utility Property and Other Assets	\$43,750	
	A	23	c	124	Other Investments <i>To reclassify Non-water Utility Property and Other Assets to agree with USOA rules.</i>		\$43,750
4	A	44	c	215	Retained Earnings	\$3,286	
	A	33	c	151	Materials and Supplies <i>To remove inventory mark-up to reflect actual costs.</i>		\$3,286
5	A	34	c	174	Other Current Assets	\$1,000	
	A	78	c	271	Contributions in Aid of Construction <i>To record the correct amount of the Promissory Note that was reduced by furniture donation.</i>		\$1,000
6	A	19	c	121	Non-water Utility Property and Other Assets	\$62,281	
	A	34	c	174	Other Current Assets <i>To record Long-term Promissory Note Receivable to related Trusts.</i>		\$62,281
7	A	19	c	121	Non-water Utility Property and Other Assets	\$1,713	
	B	10	c	421	Non-utility Income <i>To record the accrued interest receivable on the Promissory Note.</i>		\$1,713

Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct No.		Debit	Credit
8	A	41	c	201	Common Stock	\$26,818	
	A	43	c	211	Other Paid-in Capital		\$26,818
					<i>To reflect the Value of Common Stocks stated in the Corporate documents.</i>		
9	A	44	c	215	Retained Earnings	\$3,720	
	A	53	c	224	Long-Term Debt		\$3,720
					<i>To adjust the reported Long-Term Debt balance to agree with the company's records.</i>		
10	A	44	c	215	Retained Earnings	\$1,734	
	A	53	c	224	Long-Term Debt		\$1,734
					<i>To adjust the reported Long-Term Debt balance to agree with the company's records.</i>		
11	A	57	c	231	Accounts Payables	\$25,636	
	A	44	c	215	Retained Earnings		\$25,636
					<i>To adjust the reported short-term notes payable to agree with the company's records.</i>		
12	A	78	c	271	Contributions in Aid of Construction	\$4,386,697	
	A	44	c	215	Retained Earnings		\$4,386,697
					<i>To reclassify SDWBA loan to comply with USOA rules.</i>		
13	A	44	c	215	Retained Earnings	\$118,272	
	A	79	c	272	Accumulated Amortization of Contributions		\$118,272
					<i>To reclassify SDWBA loan amortization to comply with USOA rules.</i>		
14	A	44	c	215	Retained Earnings	\$6,411	
	B-1	13	b	470	Metered Water Revenue		\$6,411
					<i>To adjust Metered Water Revenue to agree with the Company's billing register.</i>		

Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct No.		Debit	Credit
15	B-1	21	b	480	Other Water Revenue	\$1,000	
	A	59	c	233	Customer Deposits		\$1,000
					<i>To adjust Metered Water Revenue to agree with the Company's billing register.</i>		
16	B-2	1	b	610	Purchased Water	\$2,061	
	A	44	c	215	Retained Earnings		\$2,061
					<i>To reclassify Purchased Water expense to agree with the audited amount.</i>		
17	B	11	c	426	Miscellaneous Non-utility Expense	\$3,210	
	B-2	21	b	689	General Expense	\$8,072	
	B-2	8	b	660	Transportation Expense		\$11,282
					<i>To reclassify Transportation Expense - Repairs to agree with the audited amount.</i>		
18	B-2	21	b	689	General Expense	\$2,319	
	B-2	8	b	660	Transportation Expense		\$2,319
					<i>To reclassify Transportation Expense - Auto Lease to agree with the audited amount.</i>		
19	B	11	c	426	Miscellaneous Non-utility Expense	\$2,640	
	B-2	9	b	664	Other Plant Maintenance Expenses		\$2,640
					<i>To reclassify Other Plant Maintenance Expenses to agree with the audited amount.</i>		
20	B2	21	b	689	General Expense	\$12,242	
	B2	12	b	670	Office Salaries		\$12,242
					<i>To reclassify Office Salaries expense to agree with the audited amount.</i>		
21	B	11	c	426	Miscellaneous Non-Utility Expense	\$11,610	
	B2	14	b	674	Employee Pensions and Benefits		\$11,610
					<i>To reclassify Employee Benefits - Other to agree with the audited amount.</i>		

Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct No.		Debit	Credit
22	A	44	c	215	Retained Earnings	\$42,870	
	B	3	c	403	Depreciation Expense		\$42,870
					<i>To reclassify Depreciation Expense to agree with the audited amount.</i>		
23	B	4	c	407	SDWBA Loan Amortization Expense	\$92,910	
	A	44	c	215	Retained Earnings		\$92,910
					<i>To reclassify SDWBA loan amortization to comply with USOA rules.</i>		
24	B-2	14	b	674	Employee Pensions and Benefits	\$4,152	
	B	5	c	408	Taxes Other Than Income Taxes		\$4,152
					<i>To reclassify Taxes on Real and Personal Property to agree with the audited amount.</i>		
25	B	11	c	426	Miscellaneous Non-utility Expense	\$11,795	
	B	5	c	408	Taxes Other Than Income Taxes		\$11,795
					<i>To reclassify Taxes on Real and Personal Property to agree with the audited amount.</i>		

Appendix D

Summary of Audit Adjustments for Year 2013

Audit Adj. No.	Annual Report				Description	For the Year 2013	
	Sch.	Line	Col.	Acct No.		Debit	Credit
1	A	44	c	215	Retained Earnings	\$246,609	
	A	12	c	108.1	Accumulated Amortization of SDWBA Loan <i>To adjust the reported SDWBA Loan Accumulated Amortization to agree with the audited amount.</i>		\$246,609
2	A	19	c	121	Non-water Utility Property and Other Assets	\$43,750	
	A	23	c	124	Other Investments <i>To reclassify Non-water Utility Property and Other Assets to agree with USOA rules.</i>		\$43,750
3	A	44	c	215	Retained Earnings	\$3,200	
	A	33	c	151	Materials and Supplies <i>To remove inventory mark-up to reflect actual costs.</i>		\$3,200
4	A	34	c	174	Other Current Assets	\$1,000	
	A	78	c	271	Contributions in Aid of Construction <i>To record the correct amount of the Promissory Note that was reduced by furniture donation.</i>		\$1,000
5	A	19	c	121	Non-water Utility Property and Other Assets	\$62,281	
	A	34	c	174	Other Current Assets <i>To record Long-term Promissory Note Receivable to related Trust.</i>		\$62,281
6	A	19	c	121	Non-water Utility Property and Other Assets	\$1,713	
	B	10	c	421	Non-utility Income <i>To record the accrued interest receivable on the Promissory Note.</i>		\$1,713

Audit Adj. No.	Annual Report				Description	For the Year 2013	
	Sch.	Line	Col.	Acct No.		Debit	Credit
7	A	41	c	201	Common Stock	\$26,818	
	A	43	c	211	Other Paid-in Capital		\$26,818
					<i>To reflect the Value of Common Stocks stated in the Corporate documents.</i>		
8	A	53	c	224	Long-Term Debt	\$632	
	A	44	c	215	Retained Earnings	\$296	
	A	58	c	232	Short-term Notes Payable		\$928
					<i>To adjust the reported Short-Term Notes Payable balance to agree with the company's records.</i>		
9	A	58	c	232	Short-term Notes Payable	\$23,049	
	A	53	c	224	Long-term Debt		\$23,049
					<i>To adjust the reported Short-Term Notes Payable balance to agree with the company's records.</i>		
10	A	44	c	215	Retained Earnings	\$3,720	
	A	53	c	224	Long-term Debt		\$3,720
					<i>To adjust the reported Long-term Debt to agree with the company's records.</i>		
11	A	78	c	271	Contributions in Aid of Construction	\$4,386,697	
	A	44	c	215	Retained Earnings		\$4,386,697
					<i>To reclassify SDWBA loan to comply with USOA rules.</i>		
12	A	44	c	215	Retained Earnings	\$85,799	
	A	79	c	272	Accumulated Amortization of Contributions		\$85,799
					<i>To reclassify SDWBA loan amortization to comply with USOA rules.</i>		
13	B-1	1	b	460	Unmetered Water Revenue	\$4,163	
	A	44	c	215	Retained Earnings		\$4,163
					<i>To adjust Unmetered Water Revenue to agree with the Company's Billing Register.</i>		

Audit Adj. No.	Annual Report				Description	For the Year 2013	
	Sch.	Line	Col.	Acct No.		Debit	Credit
14	A	44	c	215	Retained Earnings	\$5,825	
	B-1	13	b	470	Metered Water Revenue		\$5,825
					<i>To adjust Metered Water Revenue to agree the Company's Billing Register.</i>		
15	B-2	1	b	610	Purchased Water	\$1,230	
	A	57	c	231	Accounts Payable		\$339
	B-2	21	b	689	General Expense		\$600
	B-2	9	b	664	Other Plant Maintenance Expense		\$291
					<i>To reclassify Purchased Water expense to agree with the audited amount.</i>		
16	B-2	7	b	650	Contract Work	\$2,684	
	B-2	6	b	640	Materials		\$2,684
					<i>To reclassify Contract Work expense to agree with the audited amount.</i>		
17	B-2	21	b	689	General Expense	\$3,153	
	B-2	7	b	650	Contract Work		\$3,153
					<i>To reclassify Contract Work expense to agree with the audited amount.</i>		
18	B	11	c	426	Miscellaneous Non-utility Expense	\$10,721	
	B-2	21	b	689	General Expense	\$7,010	
	B-2	8	b	660	Transportation Expense		\$17,731
					<i>To reclassify Transportation Expense - Repairs to agree with the audited amount.</i>		
19	B	11	c	426	Miscellaneous Non-utility Expense	\$1,540	
	B-2	9	b	664	Other Plant Maintenance Expenses		\$1,540
					<i>To reclassify Other Plant Maintenance Expenses to agree with the audited amount.</i>		
20	B-2	21	b	689	General Expense	\$12,210	
	B-2	12	b	670	Office Salaries		\$12,210
					<i>To reclassify Office Salaries expense to agree with the audited amount.</i>		

Audit Adj. No.	Annual Report				Description	For the Year 2013	
	Sch.	Line	Col.	Acct No.		Debit	Credit
21	B	11	c	426	Miscellaneous Non-utility Expense	\$10,472	
	B-2	14	b	674	Employee Pensions and Benefits		\$10,472
					<i>To reclassify Employee Benefits - Other to agree with the audited amount.</i>		
22	B-2	20	b	688	Regulatory Commission Expense	\$6,706	
	B-2	18	b	682	Professional Services		\$6,706
					<i>To reclassify Professional Services to agree with the company's records.</i>		
23	A	44	c	215	Retained Earnings	\$70,587	
	B	3	c	403	Depreciation Expense		\$70,587
					<i>To reclassify prior year adjustment and to reflect the correct depreciation expenses for 2013.</i>		
24	B	4	c	407	SDWBA Loan Amortization Expense	\$92,910	
	A	44	c	215	Retained Earnings		\$92,910
					<i>To reclassify SDWBA loan amortization to comply with USOA rules.</i>		
25	A	44	c	215	Retained Earnings	\$1,148	
	B	5	c	408	Taxes Other Than Income Taxes		\$1,148
					<i>To reclassify Taxes on Real and Personal Property to agree with the audited amount.</i>		
26	B	11	c	426	Miscellaneous Non-utility Expense	\$11,573	
	B	5	c	408	Taxes Other Than Income Taxes		\$11,573
					<i>To reclassify Taxes on Real and Personal Property to agree with the audited amount.</i>		