



California Public Utilities Commission

Utility Audit, Finance and Compliance Branch

**Financial Audit of
Hillview Water Company
Financial Statements**

For the Years Ended December 31, 2015 and 2014

June 15, 2017



Acknowledgement

**The following Commission Staff contributed to the completion of this audit report:
Kayode Kajopaiye, Raymond Yin, Sharmin Wellington and Ifueko Aihie**

**Audit of Financial Statements of
Hillview Water Company
For the Years Ended December 31, 2015 and 2014**

Table of Contents

Page Number

Report of Independent Auditors.....	ii
Balance Sheets	1
Income Statements	3
Statements of Retained Earnings	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	8
Appendix A.....	A-1
Appendix B.....	B-1
Appendix C.....	C-1
Appendix D.....	D-1

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



Report of Independent Auditors

Roger Forrester, President
Hillview Water Company, Inc. (HWC)
P.O. BOX 2269,
Oakhurst, CA 93644

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 Hillview Water Company (HWC), which are comprised of the balance sheets as of December 31, 2015 and 2014, 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

HWC's management is responsible for the preparation and fair presentation of the financial statements presented in the 2015 and 2014 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

The responsibility of the UAFCB is to express an opinion on HWC's financial statements based on our audit. 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 Retained Earnings as described in the following paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Hillview Water Company as of December 31, 2015 and 2014, 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.

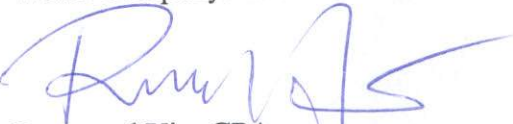
Due to the lack of historical information on Retained Earnings, UAFCB could not attest to the balances of this account as of December 31, 2015 and 2014. Therefore, UAFCB does not express any opinion on those balances.

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 HWC 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 Hillview 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
Hillview Water Company
For the Years Ended December 31, 2015 and 2014**

Balance Sheets

	As of December 31 for the Year	
	2015	2014
ASSETS		
UTILITY PLANT		
Water Plant in Service (Note 1)	\$7,821,280	\$7,658,753
Water Plant in Service – SDWBA (Note 1)	4,786,674	4,786,674
Water Plant Construction Work in Progress	1,875,517	1,327,049
Accumulated Depreciation of Water Plant (Note 1)	(3,693,264)	(3,508,240)
Accumulated Amortization of SDWBA Loan (Note 1)	<u>(1,866,863)</u>	<u>(1,803,390)</u>
Net Utility Plant	8,923,344	8,460,846
INVESTMENT		
Other Investments	<u>38,054</u>	<u>47,898</u>
Total Investments	38,054	47,898
CURRENT AND ACCRUED ASSETS		
Cash	132,336	138,369
Special Deposits (Note 1)	348,562	324,579
Accounts Receivable	204,050	187,837
Accumulated Provision for Uncollectible Accounts	(14,712)	(13,963)
Materials and Supplies	116,879	108,655
Other Current Assets	171,260	137,183
Deferred Charges	<u>33,309</u>	<u>21,073</u>
Total Current and Accrued Assets	<u>991,684</u>	<u>903,733</u>
Total Assets	<u>\$9,953,082</u>	<u>\$9,412,477</u>
CAPITALIZATION AND LIABILITIES		
CORPORATE CAPITAL AND SURPLUS		
Common Stock	\$49,500	\$49,500
Other Paid-in Capital	273,062	273,062
Retained Earnings	<u>300,280</u>	<u>149,689</u>
Total Corporate Capital and Surplus	622,842	472,251
LONG-TERM DEBT		
Long-term Debt (Note 1)	4,062,587	4,263,150
CURRENT AND ACCRUED LIABILITIES		
Accounts Payable	379,036	277,027
Short-term Notes Payable (Note 1)	249,311	316,281
Customer Deposits	17,061	14,535
Accrued Interest	6,765	9,541
Other Current Liabilities	<u>14,409</u>	<u>8,856</u>
Total Current and Accrued Liabilities	666,582	626,240

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

**Audit of Financial Statements of
Hillview Water Company
For the Years Ended December 31, 2015 and 2014**

Balance Sheets (Continues)

	As of December 31 for the Year	
	2015	2014
DEFERRED CREDITS		
Advances for Construction	127,630	128,046
Other Credits	181,783	172,300
Accumulated Deferred Investment Tax Credit	329	768
Contributions-Publicly Grant Funded Plant	1,828,524	1,403,922
Accumulated Deferred Income Taxes - ACRS Depreciation	346,663	352,459
Accumulated Deferred Income Taxes - Other	<u>(155,729)</u>	<u>(193,715)</u>
Total Deferred Credits	2,329,200	1,863,780
CONTRIBUTIONS IN AID OF CONSTRUCTION		
Contributions in Aid of Construction (CIAC) (Note 1)	5,059,660	4,815,328
Accumulated Amortization of Contributions (Note 1)	<u>(2,787,789)</u>	<u>(2,628,272)</u>
Net Contributions in Aid of Construction	<u>2,271,871</u>	<u>2,187,056</u>
Total Equity and Liabilities	<u>\$9,953,082</u>	<u>\$9,412,477</u>

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

Income Statements

	For the Year of	
	2015	2014
OPERATING REVENUES		
Unmetered Water Revenue	\$29,066	\$9,550
Fire Protection Revenue	41,830	40,415
Metered Water Revenue (Note 1)	1,693,470	1,565,703
Other Water Revenue	<u>72,899</u>	<u>82,016</u>
Total Operating Revenue	1,837,265	1,697,684
OPERATING EXPENSES		
Plant Operation and Maintenance Expenses		
Power	210,086	225,523
Other Volume Related Expenses	17,686	20,280
Employee Labor	122,248	98,787
Materials	61,581	63,184
Contract Work	47,538	66,582
Transportation Expenses	62,657	60,048
Other Plant Maintenance Expenses	<u>33,071</u>	<u>65,717</u>
Total Plant Operation and Maintenance Expenses	554,867	600,121
Administrative and General Expenses		
Office Salaries	123,797	120,516
Management Salaries	277,793	221,984
Employee Pensions and Benefits	133,405	104,623
Uncollectible Accounts Expense	2,228	3,227
Office Services and Rentals	71,500	75,714
Office Supplies and Expenses	56,075	52,485
Professional Services	20,595	35,482
Insurance	48,056	46,102
Regulatory Commission Expense	44,049	11,840
General Expenses	19,113	14,876
Expenses Capitalized	<u>(14,112)</u>	<u>(14,008)</u>
Total Administrative and General Expenses	782,499	672,841
Total Operating Expenses	1,337,366	1,272,962
Depreciation Expense (Note 1)	46,417	52,365
SDWBA Loan Amortization Expense (Note 1)	126,947	126,948
Taxes Other Than Income Taxes	82,172	74,947
State Corporate Income Tax Expense	<u>(815)</u>	<u>739</u>
Total Operating Revenue Deductions	1,592,087	1,527,961
Total Utility Operating Income / (Loss)	245,178	169,723

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

Income Statements (Continues)

	For the Year of	
	2015	2014
OTHER INCOME AND DEDUCTIONS		
Non-utility Income	3,240	4,033
Miscellaneous Non-utility Expense	(8,347)	(17,488)
Interest Expense	<u>(88,701)</u>	<u>(92,030)</u>
Total Other Income and Deductions	(93,808)	(105,485)
Net Income / (Loss)	<u>\$151,370</u>	<u>\$64,238</u>

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

Statements of Retained Earnings

	For the Year of	
	2015	2014
Retained Earnings, Beginning of Year	\$149,689	\$88,263
CREDITS:		
Net Income	151,370	64,238
Total Credits	151,370	64,238
DEBITS:		
UAFCB Cumulative Adjustment to Beginning Balance (See ¹)	(779)	0
UAFCB Adjustment to Insurance expense	0	(2,812)
Total Debits	(779)	(2,812)
Retained Earnings, End of Year	<u>\$300,280</u>	<u>\$149,689</u>

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

¹ This amount represents the cumulative adjustments to the reported beginning balance of the Retained Earnings as of January 1, 2015. Detail computation is shown below:

Retained Earnings as of 12/31/2014 - As Audited	(\$149,689)
Retained Earnings as of 12/31/2014 - As Reported	148,680
2015 Annual Report reflected an immaterial variance	230
Variance - UAFCB Cumulative Adjustments to Beginning Balance	<u>(\$779)</u>

Statements of Cash Flows

For the Year of	
2015	2014

CASH FLOW FROM OPERATING ACTIVITIES:

Net Income/(Loss)	\$151,370	\$64,238
Adjustments to Reconcile Net Income to Cash		
Provided by Operating Activities		
Depreciation	185,024	161,021
Amortization - SDWBA Loan	63,473	126,948
Decrease (Increase) in Special Deposits	(23,983)	116,325
Decrease (Increase) in Accounts Receivable	(16,213)	255,972
Decrease (Increase) in Accumulated Provision for Uncollectible Accounts	749	830
Decrease (Increase) in Materials and Supplies	(8,224)	(11,205)
Decrease (Increase) in Other Current Assets	(34,077)	(65,309)
Decrease (Increase) in Deferred Charges	(12,236)	52,797
Increase (Decrease) in Accounts Payable	102,009	(248,935)
Increase (Decrease) in Short-term Notes Payable	(66,970)	262,273
Increase (Decrease) in Customer Deposits	2,526	1,621
Increase (Decrease) in Accrued Interest	(2,776)	(1,380)
Increase (Decrease) in Other Current Liabilities	5,553	(1,068)
Increase (Decrease) in Advances for Construction	(416)	(416)
Increase (Decrease) in Other Credits	9,483	(1,151,763)
Increase (Decrease) Accumulated Deferred Investment Tax Credit	(439)	(714)
Increase (Decrease) in Deferred Income Taxes - ACRS Depreciation	(5,796)	36,985
Increase (Decrease) in Deferred Income Taxes - Other	<u>37,986</u>	<u>(36,271)</u>
Net Cash Provided (Used) by Operating Activities	387,043	(438,051)

CASH FLOWS FROM INVESTING ACTIVITIES:

Net Plant Deletions (Additions)	(162,527)	(55,569)
Net SDWBA Plant Deletions (Additions)	0	(438,996)
Decrease (Increase) in Construction Work in Progress	(548,468)	(142,344)
Increase (Decrease) in Contributions-Publicly Grant Funded Plant	424,602	1,403,922
Increase (Decrease) in Contributions in Aid of Construction	244,332	314,177
Decrease (Increase) in Accumulated Amortization of Contributions	(159,517)	(151,393)
Increase (Decrease) in Other Investments	9,844	(47,898)
UAFCB Adjustment to Retained Earnings ¹	<u>(779)</u>	<u>(2,812)</u>
Net Cash Provided (Used) for Investing Activities	(192,513)	879,087

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

¹ For Year 2015, the total UAFCB debit adjustment of \$779 to Retained Earnings represented the cumulative effect of UAFCB's adjustments to the Retained Earnings for Years 2015 and 2014. For Year 2014, the total UAFCB debit adjustment of \$2,812 to Retained Earnings was presented in the 2014 Summary of Audit Adjustments.

Statements of Cash Flows (Continues)

	For the Year of	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-term Debt	<u>(200,563)</u>	<u>(391,118)</u>
Net Cash Provided (Used) for Financing Activities	(200,563)	(391,118)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,033)	49,918
CASH AT BEGINNING OF YEAR	<u>138,369</u>	<u>88,451</u>
CASH AT END OF YEAR	<u>\$132,336</u>	<u>\$138,369</u>

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Hillview Water Company (HWC) is a Class C water utility that provides water service to four service areas located in the foothills of eastern Madera County, southwest of Yosemite Park. HWC was first organized in 1961 and incorporated on September 28, 1978. HWC operates four water systems which are the Oakhurst Sierra Lakes, the Hillview Goldside, the Raymond, and the Coarsegold Highlands water systems.

HWC services approximately 1,460 active service connections. In addition, the community hosts approximately one million visitors per year that pass through on their way to Yosemite National Park. During 1996, HWC first engaged the services of Matt A. Peasley, a Certified Public Accountant and continues to retain Peasley, Aldinger and O'Bymachow an Accountancy Corporation.

The Company has prepared the accompanying financial statements on the basis of accounting set forth in the Uniform System of Accounts (USOA) for Water Utilities adopted and prescribed by the 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 audit adjustments by Utility Audit, Finance and Compliance Branch (UAFCB) for years 2015 and 2014, respectively. Appendix C and Appendix D summarize the UAFCB detail audit adjustments for Years 2015 and 2014, respectively.

(b) Water Plant in Service

Utility plant is recorded at original cost when first constructed or purchased. Retired utility plant assets are removed from utility plant accounts based on estimated cost and charged against accumulated depreciation.

(c) Water Plant in Service – SDWBA

Utility plant funded using Safe Drinking Water Bond Act (SDWBA) aka State Revolving Fund (SRF) fund is recorded at SDWBA loan amount. HWC's SDWBA loan of \$3,709,392 from the California Department of Water Resources (DWR) was fully funded as of June 30, 2008. The purpose of the loan is to assist in financing construction of a project which will enable the HWC to meet the safe drinking water

standards established pursuant to Part 12, Chapter 4 of Division 101 of the Health and Safety Code and California Code of Regulations, Title 22.

(d) Accumulated Depreciation and Depreciation Expense of Water Plant

Depreciation is computed on a straight-line composite rate of 3.25% (equivalent to a 30.8 years depreciation period) in order to depreciate all plant assets for ratemaking purposes and for reporting the depreciation expense in HWC's Annual Reports filed with the Commission.

(e) Accumulated Amortization and Amortization Expense of SDWBA Loan

The SDWBA funding agreement number SRF02CX302, between the State of California DWR and HWC for \$3,408,447 at zero percent rate interest commenced on July 21, 2005. The loan was later increased to \$3,808,447 with a 30-year amortization period commencing on July 1, 2008 through January 1, 2038. The amortization expense is computed on a straight-line basis over the life of the loan.

(f) Special Deposits

The Special Deposits balances are recorded when deposited and represent the cash balances collected via customer surcharges for the repayment of the SDWBA loan and Special Facilities Fees. Special Deposits also include Cash Miscellaneous Special Deposits, which represent the cash received from publicly funded grants. The SDWBA surcharge is applicable to all metered water service. Special Facilities Fees are applicable to customers applying for service in the service territory not previously connected to distribution mains, for additional service connections to existing premises, and for increase in service connection size to existing premises.

(g) Long-Term Debt

The SDWBA loan principal payment amounts due to DWR beyond the immediate 12 month period are classified as long-term obligations. Long-term obligations also include a loan with the Excel National Bank and Ford Motor Corporation.

(h) Short-Term Notes Payable

The Short-term obligations include SDWBA, Excel National Bank, and Ford Motor Corporation loans principal payment amounts due within the immediate 12 month period.

(i) 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. Depreciation applicable to such contributed plant is charged against the CIAC account rather than to depreciation expense until the amount applicable to such plant has been completely amortized.

(j) Government Funded Grants

HWC received several grants from DWR for Projects. The funding sources were Proposition 50 and 84 grants. HWC did not record the receipts of grant funds into Cash-Miscellaneous Special Deposits, and Contributions-Publicly Grant-Funded Plant per the Commission's Decision 06-03-015. Auditor could not verify the total grant funds

received through DWR. However, DWR's records show that HWC was approved \$2,000,000 for Project number P84C-2010012 and \$4,462,300 for Project number P84C-20100007. HWC Construction Work in Progress attributes \$1,326,499 to Proposition 50 and 84 grants.

(k) Operating Water Revenue

HWC's water service revenues include flat rate tank truck sales, fire protection, and metered water revenue which accounts for over 95% of water service revenues. The Other Water Revenues comprise of backflow testing revenue, late fees, reconnection charges, balancing account adjustments, etc. Customers are billed on a monthly basis. HWC computed its water service revenues and SDWBA loan surcharge revenues based on tariffs approved by the Commission.

(l) Retained Earnings

UAFCB could not attest to the accuracy of the Retained Earnings balances due to lack of historical information on them. Expressing an opinion on the Retained Earnings Balances as of December 31, 2015 and 2014 would require auditing the Retained Earnings balances from the inception of the company. Due to limitation of our audit scope, we cannot and do not express an opinion on those balances.

(2) Annual Reports

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

Appendix A

Summary of Net Financial Impact Resulting from UAFCB's Audit Adjustments for Year 2015

The following is a summary of net financial impact resulting from UAFCB's audit adjustments for Year 2015:

Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct No.		Debit	Credit

Net Financial Impact on Balance Sheets Items:

1	A	3	C	101.1	Water Plant in Service - SDWBA	\$20,000	
1	A	2	C	101	Water Plant in Service – Excluding SDWBA		20,000
2	A	11	C	108	Accumulated Depreciation of Water Plant	40,247	
12	A	12	C	108.1	Accumulated Amortization of SDWBA Loan	63,475	
3	A	23	C	124	Other Investments	38,054	
3	A	37	C	180	Deferred Charges		38,054
4,5	A	53	C	224	Long-term Debt	288,268	
4,5	A	58	C	232	Short-term Notes Payables		288,268
6	A	27	C	131	Cash	3,454	
6	A	29	C	132	Special Deposits		3,454
7	A	68	C	253	Other Credits	1,828,524	
7	A	75	C	266	Contributions-Publicly Grant-Funded Plant		1,828,524
13	A	71	C	283	Accumulated Deferred Income Taxes-Other	\$12,141	

Net Financial Impact on Income Statements Items:

8	B-1	21	B	480	Other Water Revenue		\$9,089
8	B-2	9	B	664	Other Plant Maintenance Expenses	9,089	
9,10	B-2	17	B	681	Office Supplies Expenses		35,087
9,10	B-2	16	B	678	Office Services and Rentals	32,578	
11	B-2	19	B	684	Insurance		1,136
10,11	B	11	B	426	Miscellaneous Non-utility Expense	3,645	
2	B	3	C	403	Depreciation Expense		40,247
12	B	4	C	407	SDWBA Loan Amortization Expense		63,475
13	B	7	C	410	Federal Corporate Income Tax Expense		\$12,141

Appendix B

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
<u>Net Financial Impact on Balance Sheets Items:</u>							
1	A	2	C	101	Water Plant in Service		\$438,996
1	A	3	C	101.1	Water Plant in Service - SDWBA	438,996	
2	A	11	C	108	Accumulated Depreciation of Water Plant	32,732	
18	A	12	C	108.1	Accumulated Amortization of SDWBA Loan		63,474
3,9	A	27	C	131	Cash	106,586	
3,4,9	A	29	C	132	Special Deposits		106,586
5	A	57	C	231	Accounts Payable	266,627	
5	A	34	C	174	Other Current Assets	2,804	
5	A	30	C	141	Accounts Receivable - Customers		269,431
6	A	23	C	124	Other Investments	47,898	
6	A	37	C	180	Deferred Charges		47,898
7,8	A	53	C	224	Long-term Debt	269,442	
7,8	A	58	C	232	Short-term Notes Payables		269,442
17	A	44	C	215	Retained Earnings	2,812	
10	A	68	C	253	Other Credits	1,403,922	
10	A	75	C	266	Contributions – Publicly Grant-Funded Plant		1,403,922
19	A	71	C	283	Accumulated Deferred Income Taxes - Other	\$31,751	
<u>Net Financial Impact on Income Statements Items:</u>							
11	B-1	21	B	480	Other Water Revenue		\$10,432
11	B-2	9	B	664	Other Plant Maintenance Expenses	10,432	
12,13,16,17	B	11	C	426	Miscellaneous Non-utility Expense	12,019	
12	B-2	8	B	660	Transportation Expense		2,054
14	B-2	13	B	671	Management Salaries	16,328	
15,16	B-2	16	B	678	Office Services and Rentals	32,121	
15,16	B-2	17	B	681	Office Supplies and Expenses		32,679
2	B	3	C	403	Depreciation Expense		32,732
18	B	4	C	407	SDWBA Loan Amortization Expense	\$63,474	

Appendix B

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 Income Statements Items:

19	B	7	C	410	Federal Corporate Income Expense	31,751
14,15	B-2	14	B	674	Employee Pensions and Benefits	25,483
18	B-2	21	B	684	Insurance	\$3,064

Appendix C

Summary of Audit Adjustments for Year 2015

Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
1	A	3	C	101.1	Water Plant in Service - SDWBA	\$20,000	
	A	2	C	101	Water Plant in Service- Excluding SDWBA <i>To reclassify DWR funds to WPIS-SDWBA to agree with the audited amount.</i>		\$20,000
2	A	11	C	108	Accumulated Depreciation of Water Plant	\$40,247	
	B	3	C	403	Depreciation Expense <i>To reclassify Accumulated Depreciation to agree with the audited amount.</i>		\$40,247
3	A	23	C	124	Other Investments	\$38,054	
	A	37	C	180	Deferred Charges <i>To reclassify the CoBank equity balance to agree with the USOA guidelines.</i>		\$38,054
4	A	53	C	224	Long-term Debt	\$249,311	
	A	58	C	232	Short-term Notes Payable <i>To reclassify the reported Long-term Debt balance to agree with the audited amount.</i>		\$249,311
5	A	58	C	232	Short-term Notes Payable	\$38,957	
	A	53	C	224	Long-term Debt <i>To reclassify Short-term Notes Payable to agree with the USOA guidelines.</i>		\$38,957

Financial Audit of Hillview Water Company Financial Statements
For the Years Ended December 31, 2015 and 2014

Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
6	A	27	C	131	Cash	\$3,454	
	A	29	C	132	Special Deposits <i>To reclassify cash balance to agree with the audited amount.</i>		\$3,454
7	A	68	C	253	Other Credits	\$1,828,524	
	A	75	C	266	Contributions-Publicly Grant-Funded Plant <i>To record the Government Grants to agree with the Commission Decision 06-03-015.</i>		\$1,828,524
8	B-2	9	B	664	Other Plant Maintenance Expenses	\$9,089	
	B-1	21	B	480	Other Water Revenue <i>To adjust Other Water Revenue to agree with the audited amount.</i>		\$9,089
9	B-2	17	B	681	Office Supplies and Expenses	\$5,011	
	B-2	16	B	678	Office Services and Rentals <i>To reclassify Office Services and Rental to agree with the audited amount.</i>		\$5,011
10	B-2	16	B	678	Offices Services and Rentals	\$37,589	
	A	11	C	426	Miscellaneous Non-utility Expense	2,509	
	B-2	17	B	681	Office Supplies and Expenses <i>To reclassify to Office Supplies and Expenses to agree with the audited amount.</i>		\$40,098
11	B	11	C	426	Miscellaneous Non-utility Expense	\$1,136	
	B-2	19	B	684	Insurance <i>To reclassify Insurance Expense to agree with the audited amount.</i>		\$1,136

Financial Audit of Hillview Water Company Financial Statements
 For the Years Ended December 31, 2015 and 2014

Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
12	A	12	C	108.1	Accumulated Amortization of SDWBA Loan	\$63,475	
	B	4	C	407	SDWBA Loan Amortization Expense <i>To reclassify SDWBA loan amortization expense to agree with the audited amount.</i>		\$63,475
13	A	71	C	283	Accumulated Deferred Income Taxes - Other	\$12,141	
	B	7	C	410	Federal Corporate Income Tax Expense <i>To reclassify the Corporate Income Tax expense to agree with the audited amount.</i>		\$12,141

Appendix D

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	3	C	101.1	Water Plant in Service - SDWBA	\$438,996	
	A	2	C	101	Water Plant in Service- Excluding SDWBA <i>To reclassify DWR funds to WPIS to agree with the audited amount.</i>		\$438,996
2	A	11	C	108	Accumulated Depreciation of Water Plant	\$32,732	
	B	3	C	403	Depreciation Expense <i>To reclassify Accumulated Depreciation to agree with the audited amount.</i>		\$32,732
3	A	27	C	131	Cash	\$105,002	
	A	29	C	132	Special Deposits <i>To reclassify the money market account to agree with the USOA guidelines.</i>		\$105,002
4	A	12	C	121.3	Cash Miscellaneous Special Deposits	\$126,979	
	A	29	C	132	Special Deposits <i>To reclassify the Government Grants to agree with the Commission Decision 06-03-015.</i>		\$126,979
5	A	57	C	231	Accounts Payable	\$266,627	
	A	34	C	174	Other Current Assets	2,804	
	A	30	C	141	Accounts Receivable - Customers <i>To reclassify accounts receivable due from customers to agree with the audited amount.</i>		\$269,431

Financial Audit of Hillview Water Company Financial Statements
For the Years Ended December 31, 2015 and 2014

Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
6	A	23	C	124	Other Investments	\$47,898	
	A	37	C	180	Deferred Charges <i>To reclassify the CoBank equity balance to agree with the USOA guidelines.</i>		\$47,898
7	A	53	C	224	Long-term Debt	\$316,281	
	A	58	C	232	Short-term Notes Payable <i>To reclassify the reported Long-term Debt balance to agree with the audited amount.</i>		\$316,281
8	A	58	C	232	Short-term Notes Payable	\$46,839	
	A	53	C	224	Long-term Debt <i>To reclassify Short-Term Notes Payable shareholder loans to agree with audited amount.</i>		\$46,839
9	A	27	C	131	Cash	\$1,584	
	A	29	C	132	Special Deposits <i>To reclassify cash balance to agree with the audited amount.</i>		\$1,584
10	A	68	C	253	Other Credits	\$1,403,922	
	A	75	C	266	Contributions-Publicly Grant-Funded Plant <i>To record the Government Grants to agree with the Commission Decision 06-03-015.</i>		\$1,403,922
11	B-2	9	B	664	Other Plant Maintenance Expenses	\$10,432	
	B-1	21	B	480	Other Water Revenue <i>To adjust Other Water Revenue to agree with the audited amount.</i>		\$10,432
12	B	11	C	426	Miscellaneous Non-utility Expense	\$2,054	
	B-2	8	B	660	Transportation Expense <i>To reclassify Transportation Expense to agree with the audited amount.</i>		\$2,054
13	B	11	C	426	Miscellaneous Non-utility Expense	\$9,155	
	B-2	14	B	674	Employee Pension and Benefits Expenses <i>To reclassify Employee Pension and Benefits Expenses to agree with the audited amount.</i>		\$9,155

Financial Audit of Hillview Water Company Financial Statements
For the Years Ended December 31, 2015 and 2014

Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
14	B-2	13	B	671	Management Salaries	\$16,328	
	B-2	14	B	674	Employee Pension and Benefits Expenses <i>To reclassify Employee Pension and Benefits Expenses to agree with the audited amount.</i>		\$16,328
15	B-2	17	B	681	Office Supplies and Expenses	\$5,418	
	B-2	16	B	678	Office Services and Rentals <i>To reclassify Office Services and Rentals Expense to agree with the audited amount.</i>		\$5,418
16	B	10	C	426	Miscellaneous Non-utility Expense	\$558	
	B-2	16	B	678	Office Services and Rentals	37,539	
	B-2	17	B	681	Office Supplies and Expenses <i>To reclassify Office Supplies and Expenses to agree with the audited amount.</i>		\$38,097
17	A	44	C	215	Retained Earnings	\$2,812	
	B	11	C	426	Miscellaneous Non-utility Expense	252	
	B-2	21	B	684	Insurance <i>To reclassify Insurance expense to agree with the audited amount.</i>		\$3,064
18	B	4	C	407	SDWBA Loan Amortization Expense	\$63,474	
	A	12	C	108.1	Accumulated Amortization of SDWBA Loan <i>To reclassify SDWBA loan amortization expense to agree with the audited amount.</i>		\$63,474
19	A	71	C	283	Accumulated Deferred Income Taxes-Other	\$31,751	
	B	7	C	410	Federal Corporate Income Tax Expense <i>To reclassify the Corporate Income Tax expense to agree with the audited amount.</i>		\$31,751