



California Public Utilities Commission

Utility Audit, Finance and Compliance Branch

**Financial Audit of
Lake Alpine Water Company
Financial Statements**

For the Years Ended December 31, 2015 and 2014

November 28, 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
Lake Alpine Water Company
For the Years Ended December 31, 2015 and 2014**

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PUBLIC UTILITIES COMMISSION

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Report of Independent Auditors

Charles Toeniskoetter, Chairman
Board of Directors
Lake Alpine Water Company (LAWC)
P.O. Box 5013
Bear Valley, CA 95223

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 Lake Alpine Water Company (LAWC), 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

LAWC'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 LAWC'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 Lake Alpine 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.

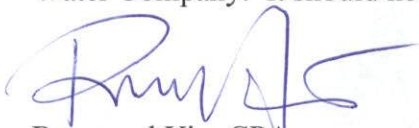
Due to the lack of historical information on Retained Earnings, UAFCB could not attest to the balances of this account as of December 31, 2015 and 2014. Therefore, UAFCB does not express any opinion on those balances.

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 LAWC 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 Lake Alpine 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
Lake Alpine 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)	\$2,931,376	\$2,801,826
Water Plant in Service – SDWBA (Note 1)	2,413,362	2,413,362
Water Plant Construction Work in Progress	\$21,960	0
Accumulated Depreciation of Water Plant (Note 1)	(1,382,872)	(1,262,355)
Accumulated Amortization of SDWBA Loan (Note 1)	<u>(844,677)</u>	<u>(724,009)</u>
Net Utility Plant	3,139,149	3,228,824
CURRENT AND ACCRUED ASSETS		
Cash	60,115	73,784
Special Deposits (Note 1)	154,159	221,978
Accounts Receivable	14,093	11,224
Other Current Assets	<u>7,656</u>	<u>7,897</u>
Total Current and Accrued Assets	<u>236,023</u>	<u>314,883</u>
Total Assets	<u>\$3,375,172</u>	<u>\$3,543,707</u>
CAPITALIZATION AND LIABILITIES		
CORPORATE CAPITAL AND SURPLUS		
Common Stock	\$100,000	\$100,000
Other Paid-in Capital	156,480	156,480
Retained Earnings	<u>850,998</u>	<u>893,054</u>
Total Corporate Capital and Surplus	1,107,478	1,149,534
LONG-TERM DEBT		
Long-Term Debt (Note 1)	1,685,507	1,835,492
CURRENT AND ACCRUED LIABILITIES		
Accounts Payable	85,263	63,208
Short-Term Notes Payable (Note 1)	<u>113,996</u>	<u>110,005</u>
Total Current and Accrued Liabilities	199,259	173,213
DEFERRED CREDITS		
Advances for Construction	15,164	15,158
Accumulated Deferred Income Taxes - ACRS Depreciation	<u>78,930</u>	<u>76,222</u>
Total Deferred Credits	94,094	91,380
CONTRIBUTIONS IN AID OF CONSTRUCTION		
Contributions in Aid of Construction (CIAC) (Note 1)	417,194	417,194
Accumulated Amortization of Contributions (Note 1)	<u>(128,360)</u>	<u>(123,106)</u>
Net Contributions in Aid of Construction	<u>288,384</u>	<u>294,088</u>
Total Equity and Liabilities	<u>\$3,375,172</u>	<u>\$3,543,707</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		
Fire Protection Revenue	4,510	\$4,510
Metered Water Revenue (Note 1)	526,028	529,535
Approved Total Surcharge Revenue (Note 1)	192,028	149,423
Other Water Revenue	<u>2,085</u>	<u>2,900</u>
Total Revenue Received	724,651	686,368
Less: Revenue Deductions		
SDWBA Surcharge Revenue	<u>149,034</u>	<u>149,423</u>
Total Operating Revenue	<u>575,617</u>	<u>536,945</u>
OPERATING EXPENSES		
Plant Operation and Maintenance Expenses		
Power	26,096	23,987
Other Volume Related Expenses	7,050	5,977
Employee Labor	87,668	91,269
Materials	8,474	5,953
Contract Work	22,292	21,322
Transportation Expenses	8,132	11,494
Other Plant Maintenance Expenses	<u>3,127</u>	<u>2,092</u>
Total Plant Operation and Maintenance Expenses	162,839	162,094
Administrative and General Expenses		
Office Salaries	32,416	29,214
Employee Pensions and Benefits	28,275	27,303
Office Services and Rentals	5,241	4,966
Office Supplies and Expenses	15,277	13,148
Professional Services (Note 2)	96,582	75,979
Insurance	18,868	25,020
Regulatory Commission Expense	2,037	0
General Expenses	<u>22,051</u>	<u>23,556</u>
Total Administrative and General Expenses	220,747	199,186
Total Operating Expenses	383,586	361,280
Depreciation Expense ¹ (Note 1)	110,035	106,586
SDWBA Loan Amortization Expense (Note 1)	120,668	120,668
Taxes Other Than Income Taxes	24,285	24,639
State Corporate Income Tax Expense	<u>800</u>	<u>800</u>
Total Operating Revenue Deductions	639,374	613,973
Total Utility Operating Income / (Loss)	(63,757)	(77,028)

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

¹ This account includes Amortization of Water Rights, previously included in Annual Reports as a separate (un-numbered) line item.

Income Statements (continues)

	For the Year of	
	2015	2014
OTHER INCOME AND DEDUCTIONS		
Non-utility Income	4	1,616
Miscellaneous Non-utility Expense	(1,198)	(196)
Interest Expense	<u>(11,127)</u>	<u>(7,502)</u>
Total Other Income and Deductions	(12,321)	(6,082)
Net Income / (Loss)	<u>(\$76,078)</u>	<u>(\$83,110)</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	\$893,054	(\$180,120)
CREDITS:		
UAFCB Adjustment to Water Plant in Service	415,214	415,214
UAFCB Adjustment to Water Plant in Service – SDWBA	56,928	56,928
UAFCB Adjustment to Contributions in Aid of Construction	107,068	107,068
UAFCB Adjustment to Accumulated Deferred Income Taxes-ACRS Depreciation	2,218	2,259
UAFCB Adjustment to Non-USOA Accounts	1,552,264	1,237,848
UAFCB Adjustment to Power	0	3,022
UAFCB Adjustment to Professional Services	0	19,927
UAFCB Adjustment to Depreciation Expense	14,784	15,059
UAFCB Adjustment to SDWBA/SRF Loan Amortization Expense	<u>3,062</u>	<u>3,062</u>
Total Credits	2,151,538	1,860,387
DEBITS:		
Net Loss	(76,078)	(83,110)
UAFCB Cumulative Adjustment to Beginning Balance ¹	(1,132,238)	0
UAFCB Adjustment to Accumulated Depreciation of Water Plant	(245,466)	(202,990)
UAFCB Adjustment to Accumulated Amortization of SDWBA Loan	(165,324)	(162,262)
UAFCB Adjustment to Special Deposits	(4,034)	0
UAFCB Adjustment to Accounts Receivable	(2,896)	0
UAFCB Adjustment to Deferred Charges	(240,447)	(267,985)
UAFCB Adjustment to Accumulated Amortization of Contributions	(52,284)	(47,056)
UAFCB Adjustment to Accumulated Deferred Income Taxes-ACRS Depreciation	(3,268)	(6,786)
UAFCB Adjustment to Non-USOA Accounts	(234,206)	0
UAFCB Adjustment to Power	(3,022)	0
UAFCB Adjustment to Management Salaries	(260)	0
UAFCB Adjustment to Professional Services	(34,071)	0
UAFCB Adjustment to State Corporate Income Tax	0	(5,579)
UAFCB Adjustment to Federal Corporate Income Tax	<u>0</u>	<u>(11,445)</u>
Total Debits	(2,193,594)	(787,213)
Retained Earnings, End of Year	<u>\$850,998</u>	<u>\$893,054</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 Retained Earnings as of January 1, 2015. Detailed computation is shown below:

Retained Earnings as of 12/31/2014 - As Audited	\$893,054
Retained Earnings as of 12/31/2014 - As Reported	<u>239,184</u>
Variance - UAFCB Cumulative Adjustment	<u>\$1,132,238</u>

Statements of Cash Flows

	For the Year of	
	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income/(Loss)	(\$76,078)	(\$83,110)
Adjustments to Reconcile Net Income to Cash		
Provided by Operating Activities		
Depreciation	120,517	276,897
Amortization - SDWBA Loan	120,668	279,868
Decrease (Increase) in Special Deposits	67,819	(45,173)
Decrease (Increase) in Accounts Receivable	(2,869)	2,030
Decrease (Increase) in Other Current Assets	241	3,013
Decrease (Increase) in Deferred Charges	0	288,143
Increase (Decrease) in Balancing Adjustment - Depreciation Differences	0	(374,659)
Increase (Decrease) in Accounts Payable	22,055	(57,810)
Increase (Decrease) in Short-term Notes Payable	3,991	(5,147)
Increase (Decrease) in Other Credits	0	(4,000)
Increase (Decrease) in Advances for Construction	6	15,158
Increase (Decrease) in Accumulated Deferred Income Taxes - ACRS Depreciation	2,708	5,474
Increase (Decrease) in Deferred Revenue - SDW Surcharges	<u>0</u>	<u>(720,734)</u>
Net Cash Provided (Used) by Operating Activities	259,058	(420,050)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Plant Additions	(129,550)	(555,766)
Net SDWBA Plant Additions	0	(56,928)
Net Construction Plant in Progress Additions	(21,960)	8,540
Increase (Decrease) in Contributions in Aid of Construction	0	(103,068)
Decrease (Increase) in Accumulated Amortization of Contributions	(5,254)	36,602
UAFCB Adjustment to Retained Earnings ¹	<u>34,022</u>	<u>1,156,284</u>
Net Cash Provided (Used) for Investing Activities	(122,742)	485,664
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-term Debt	<u>(149,985)</u>	<u>(24,035)</u>
Net Cash Provided (Used) for Financing Activities	(149,985)	(24,035)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,669)	41,579
CASH AT BEGINNING OF YEAR	<u>73,784</u>	<u>32,205</u>
CASH AT END OF YEAR	<u>\$60,115</u>	<u>\$73,784</u>

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

¹ UAFCB's adjustments to retained earnings of \$34,022 and \$1,156,284 for 2015 and 2014 respectively do not include net losses of \$76,078 and \$83,110 for 2015 and 2014 respectively.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Lake Alpine Water Company (LAWC) is a privately-owned Class D water company serving approximately 490 metered customers in Bear Valley, Alpine County, California. All water is obtained from springs and snow melt into Bear Lake.

LAWC has been incorporated in the State of California since June 1964. Since incorporation, the entity has changed its ownership once, with the sale of its stock being conditionally approved on March 21, 2013 by the California Public Utilities Commission (the Commission) in D.13-03-007.

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. LAWC's SDWBA loan of \$2,413,361.51 from the California Department of Water Resources (DWR) was fully funded as of January 2009. This amount is for water system improvements required by the California Department of Health Services and also to complete its filtration facilities.

(d) Accumulated Depreciation and Depreciation Expense of Water Plant

Depreciation is computed on a straight-line composite rate of 2.72% (equivalent to a 36.8 year depreciation period) in order to depreciate all plant assets for ratemaking

purposes and for reporting the depreciation expense in LAWC's Annual Reports filed with the Commission.

(e) Accumulated Amortization and Amortization Expense of SDWBA Loan

The SDWBA loan of \$2,413,361.51 from DWR carries an interest rate of 2.39% per annum. The 20 years loan amortization period commenced in January 2009 and the amortization expense is computed on a straight-line basis.

(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. 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.

(h) Short-Term Notes Payable

The SDWBA loan principal payment amounts due to DWR within the immediate 12 month period are classified as short-term obligations.

(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) Metered Water Revenue and Approved Total Surcharge Revenue

All LAWC customers are metered (with the exception of private fire protection customers) and are billed on a monthly basis. LAWC computed its metered water revenues and SDWBA loan surcharge revenues based on tariffs approved by the Commission. In 2015, a special surcharge was authorized by the Commission subjecting all customers to a monthly reimbursement surcharge to be collected between July and December of 2015. This charge offsets the intervenor compensation award of Decision 14-11-016 billed to LAWC in 2014.

(k) 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 express an opinion on those balances.

(2) Professional Services

Professional Services expense represents 44% and 38% of Total Administrative and General Expense for the years 2015 and 2014, respectively. Billings from the law firm Goodin, MacBride, Squeri, Day & Lamprey, LLP represent a substantial portion of professional services expense. These billings are wholly related to legal costs arising from Commission Proceeding A.11-04-013. LAWC has filed Advice Letter 94, which establishes a memorandum account to track costs of legal fees and other charges associated with complaints to A.11-04-013 in contemplation of future recovery.

(3) Annual Reports

Per California Public Utilities Code, Sections 581, 582, and 584, LAWC is required to file an annual report with the Commission every year. For the years being audited, LAWC 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
<u>Net Financial Impact on Balance Sheets Items:</u>							
1, 23	A	1	4	101	Water Plant in Service	\$419,167	
2	A	2	4	101.1	Water Plant in Service - SDWBA	\$56,928	
3	A	8	4	108	Accumulated Depreciation of Water Plant		\$245,466
4	A	9	4	108.1	Accumulated Amortization of SDWBA Loan		\$165,324
13	A	10	4	NA	Adjustment for Different Calculation of Depreciation of Water Plant	\$618,093	
5	A	16	4	131	Cash	\$12,045	
5	A	18	4	132	Special Deposits		\$16,079
6	A	19	4	141	Accounts Receivable Customers		\$2,896
7	A	24	4	180	Deferred Charges		\$240,447
1-7, 12-16, 18,21, 24, 26-30	A	30	4	215	Retained Earnings		\$1,166,260
8,10	A	33	4	224	Long-term Debt		\$46,004
8-10	A	35	4	232	Short-term Notes Payable	\$61,168	
9	A	40	4	252	Advances for Construction		\$15,164
11	A	42	4	253	Other Credits	\$4,000	
11,14, 15	A	46	4	271	Contributions in Aid of Construction	\$103,068	
16	A	47	4	272	Accumulated Amortization of Contributions		\$52,284
12, 26	A	48	4	282	Accumulated Deferred Income Taxes-ACRS Depreciation		\$1,050
29	A	50	4	50	Deferred Revenue-SDW Surcharges	\$934,171	
30	A	31	4	215	Adjustment for Differences in PUC and LAWC Accounts		\$234,206

Financial Audit of Lake Alpine 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
<u>Net Financial Impact on Income Statements Items:</u>							
17	F	5	4	470	Metered Water Revenue		\$ 14,638
17	F	7	4	480	Other Water Revenue	\$ 14,638	
18	F	14	4	615	Power		\$3,022
19	F	16	4	630	Employee Labor	\$21,722	
20	F	21	4	670	Office Salaries	\$12,966	
19,20,21	F	22	4	671	Management Salaries		\$39,486
22,32	F	23	4	674	Employee Pensions and Benefits		\$1,484
23	F	26	4	681	Office Supplies and Expense		\$3,953
24	F	27	4	682	Professional Services		\$34,071
32	F	28	4	684	Insurance		\$3,696
25	F	29	4	688	Regulatory Commission Expense	\$2,037	
21,25,31	F	30	4	689	General Expense	\$13,139	
27	F	32	4	403	Depreciation Expense	\$14,784	
28	F	33	4	407	SDWBA Loan Amortization Expense	\$3,062	
31	F	34	4	408	Taxes Other Than Income Taxes		\$10,638
32	F	39	4	421	Non-utility Income	\$3,982	
22	F	40	4	426	Miscellaneous Non-utility Expense	\$1,198	

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	1	4	101	Water Plant in Service	\$415,214	
2	A	2	4	101.1	Water Plant in Service - SDWBA	\$56,928	
3	A	8	4	108	Accumulated Depreciation of Water Plant		\$202,990
4	A	9	4	108.1	Accumulated Amortization of SDWBA Loan		\$162,262
5	A	15	4	131	Cash	\$24,859	
5	A	17	4	132	Special Deposits		\$27,986
5	A	18	4	141	Accounts Receivable – Customers	\$3,127	
6	A	23	4	180	Deferred Charges		\$267,985
12	A	24	4	NA	Adjustment for Different Calculation of Depreciation	\$590,623	
1-4,6, 11-15, 17, 19-23, 25-27	A	30	4	215	Retained Earnings		\$1,156,284
7, 9	A	32	4	224	Long-Term Debt		\$29,995
7,8,9	A	34	4	232	Short-Term Notes Payable	\$45,153	
8	A	40	4	252	Advances for Construction		\$15,158
10	A	41	4	253	Other Credits	\$4,000	
10,13, 14	A	45	4	271	Contributions in Aid of Construction	\$103,068	
15	A	46	4	272	Accumulated Amortization of Contributions		\$47,056
11,20	A	47	4	282	Accumulated Deferred Income Taxes-ACRS Depreciation		\$4,527
22	A	49	4	460	Deferred Revenue-SDW Surcharges	\$286,164	
23	A	50	4	NA	Adjustment for Differences in PUC and LAWC Accounts	\$361,061	

Financial Audit of Lake Alpine 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

Net Financial Impact on Income Statements Items:

16	F	5	4	470	Metered Water Revenue		\$6,278
16	F	7	4	480	Other Water Revenue	\$6,278	
17	F	14	4	615	Power	\$3,022	
18	F	22	4	671	Management Salaries		\$5,600
19	F	27	4	682	Professional Services	\$19,927	
18, 25	F	30	4	689	General Expense	\$15,756	
21	F	32	4	403	Depreciation Expense	\$15,059	
24	F	33	4	407	SDWBA Loan Amortization Expense	\$3,062	
25	F	34	4	408	Taxes Other Than Income Taxes		\$10,156
26	F	35	4	409	State Corporate Income Tax Expense		\$5,579
27	F	36	4	410	Federal Corporate Income Tax Expense		\$11,445

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	1	4	101	Water Plant in Service	\$415,214	
	A	30	4	215	Retained Earnings <i>To record Water Rights to agree with the Company's records.</i>		\$415,214
2	A	2	4	101.1	Water Plant in Service - SDWBA	\$56,928	
	A	30	4	215	Retained Earnings <i>To record SDWBA Loan to agree with the Company's records.</i>		\$56,928
3	A	30	4	215	Retained Earnings	\$245,466	
	A	8	4	108	Accumulated Depreciation of Water Plant <i>To record Accumulated Amortization of Water Rights.</i>		\$245,466
4	A	30	4	215	Retained Earnings	\$165,324	
	A	9	4	108.1	Accumulated Amortization of SDWBA <i>To record SDWBA Loan Accumulated Amortization.</i>		\$165,324
5	A	16	4	131	Cash	\$12,045	
	A	30	4	215	Retained Earnings	\$4,034	
	A	18	4	132	Special Deposits <i>To reclassify the bank cash balance to agree with the audited amount.</i>		\$16,079
6	A	30	4	215	Retained Earnings	\$2,896	
	A	19	4	141	Accounts Receivable - Customers <i>To reclassify Accounts Receivable - Customers to agree with Company's records.</i>		\$2,896

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Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
7	A	30	4	215	Retained Earnings	\$240,447	
	A	24	4	180	Deferred Charges <i>To reclassify Deferred Charges to agree with the audited amount.</i>		\$240,447
8	A	33	4	224	Long-Term Debt	\$113,996	
	A	35	4	232	Short-Term Notes Payable <i>To reclassify the short-term portion of the SDWBA loan.</i>		\$113,996
9	A	35	4	232	Short-Term Notes Payable	\$15,164	
	A	40	4	252	Advances for Construction <i>To reclassify Short-Term Notes Payable to agree with the audited amount.</i>		\$15,164
10	A	35	4	232	Short-Term Notes Payable	\$160,000	
	A	33	4	224	Long-Term Debt <i>To reclassify Short-Term Notes Payable shareholder loans to agree with the audited amount.</i>		\$160,000
11	A	42	4	253	Other Credits	\$4,000	
	A	46	4	271	Contributions in Aid of Construction <i>To reclassify Other Credits to agree with audited amount.</i>		\$4,000
12	A	30	4	215	Retained Earnings	\$3,268	
	A	48	4	282	Accumulated Deferred Income Taxes-ACRS Depreciation <i>To adjust Accumulated Deferred Income Taxes-ACRS Depreciation to agree with audited amount.</i>		\$3,268
13	A	10	4	NA	Adjustment for Different Calculation of Depreciation of Water Plant	\$618,093	
	A	30	4	215	Retained Earnings <i>To eliminate unauthorized account that is not in accordance with the USOA requirements.</i>		\$618,093

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Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
14	A	46	4	271	Contributions in Aid of Construction	\$2,500	
	A	30	4	215	Retained Earnings <i>To adjust Contributions in Aid of Construction balance to agree with the Company's books.</i>		\$2,500
15	A	46	4	271	Contributions in Aid of Construction	\$104,568	
	A	30	4	215	Retained Earnings <i>To adjust Contributions in Aid of Construction balance to agree with the USOA requirements.</i>		\$104,568
16	A	30	4	215	Retained Earnings	\$52,284	
	A	47	4	272	Accumulated Amortization of Contributions <i>To adjust Accumulated Amortization of Contributions balance to agree with the audited amount.</i>		\$52,284
17	F	7	4	480	Other Water Revenue	\$14,638	
	F	5	4	470	Metered Water Revenue <i>To adjust Other Water revenue to agree with the audited amount.</i>		\$14,638
18	A	30	4	215	Retained Earnings	\$3,022	
	F	14	4	615	Power <i>To adjust Power expense to agree with the audited amount.</i>		\$3,022
19	F	16	4	630	Employee Labor	\$21,722	
	F	22	4	671	Management Salaries <i>To reclassify Employee Labor expense to agree with the audited amount.</i>		\$21,722
20	F	21	4	670	Office Salaries	\$12,966	
	F	22	4	671	Management Salaries <i>To reclassify Office Salary expense to agree with audited amount.</i>		\$12,966
21	F	30	4	689	General Expense	\$4,538	
	A	30	4	215	Retained Earnings	\$260	
	F	22	4	671	Management Salaries <i>To reclassify Management Salaries expense to agree with the audited amount.</i>		\$4,798

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Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
22	F	40	4	426	Miscellaneous Non-utility Expense	\$1,198	
	F	23	4	674	Employee Pensions and Benefits <i>To reclassify Employee Pensions and Benefits expense to agree with the audited amount.</i>		\$1,198
23	A	1	4	101	Water Plant in Service	\$3,953	
	F	26	4	681	Office Supplies and Expense <i>To reclassify Office Supplies and Expense to agree with the audited amount.</i>		\$3,953
24	A	30	4	215	Retained Earnings	\$34,071	
	F	27	4	682	Professional Services <i>To adjust Professional Services expense to agree with the audited amount.</i>		\$34,071
25	F	29	4	688	Regulatory Commission Expense	\$2,037	
	F	30	4	689	General Expense <i>To reclassify General Expense to agree with the Company's records.</i>		\$2,037
26	A	48	4	282	Accumulated Deferred Income Taxes-ACRS Depreciation	\$2,218	
	A	30	4	215	Retained Earnings <i>To adjust Accumulated Deferred Income Taxes - ACRS Depreciation to agree with the audited amount as a result of change in water rights amortization methodology.</i>		\$2,218
27	F	32	4	403	Depreciation Expense	\$14,784	
	A	30	4	215	Retained Earnings <i>To adjust Amortization Expense to agree with the audited amount as a result of change in water rights amortization methodology.</i>		\$14,784
28	F	33	4	407	SDWBA Loan Amortization Expense	\$3,062	
	A	30	4	215	Retained Earnings <i>To adjust SDWBA Loan Amortization expense to agree with the audited amount.</i>		\$3,062
29	A	50	4	460	Deferred Revenue-SDW Surcharges	\$934,171	
	A	30	4	215	Retained Earnings <i>To eliminate unauthorized account that is not in accordance with the USOA requirements.</i>		\$934,171

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Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
30	A	30	4	215	Retained Earnings	\$234,206	
	A	31	4	NA	Adjustment for Difference in CPUC and LAWC Accounts <i>To eliminate unauthorized account that is not in accordance with the USOA requirements.</i>		\$234,206
31	F	30	4	689	General Expense	\$10,638	
	F	34	4	408	Taxes Other Than Income Taxes <i>To reclassify Taxes Other Than Income Taxes expense to agree with the audited amount.</i>		\$10,638
32	F	39	4	421	Non-utility Income	\$3,982	
	F	23	4	674	Employee Pensions and Benefits		\$286
	F	28	4	684	Insurance <i>To reclassify Non-utility Income to agree with the audited amount.</i>		\$3,696

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	1	4	101	Water Plant in Service	\$415,214	
	A	30	4	215	Retained Earnings <i>To record Water Rights to agree with the Company's records.</i>		\$415,214
2	A	2	4	101.1	Water Plant in Service - SDWBA	\$56,928	
	A	30	4	215	Retained Earnings <i>To record SDWBA Loan to agree with the Company's records.</i>		\$56,928
3	A	30	4	215	Retained Earnings	\$202,990	
	A	8	4	108	Accumulated Depreciation of Water Plant <i>To record Accumulated Amortization of Water Rights.</i>		\$202,990
4	A	30	4	215	Retained Earnings	\$162,262	
	A	9	4	108.1	Accumulated Amortization of SDWBA Loan <i>To record SDWBA Loan Accumulated Amortization.</i>		\$162,262
5	A	15	4	131	Cash	\$24,859	
	A	18	4	141	Accounts Receivable - Customers	\$3,127	
	A	17	4	132	Special Deposits <i>To reclassify the special deposits balance to agree with the audited amount.</i>		\$27,986
6	A	30	4	215	Retained Earnings	\$267,985	
	A	23	4	180	Deferred Charges <i>To reclassify Deferred Charges to agree with the audited amount.</i>		\$267,985

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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
7	A	32	4	224	Long-term Debt	\$110,005	
	A	34	4	232	Short-term Notes Payable <i>To reclassify the short-term portion of the SDWBA loan.</i>		\$110,005
8	A	34	4	232	Short-term Notes Payable	\$15,158	
	A	40	4	252	Advances for Construction <i>To reclassify Short-Term Notes Payable development deposit to agree with the audited amount.</i>		\$15,158
9	A	34	4	232	Short-term Notes Payable	\$140,000	
	A	32	4	224	Long-term Debt <i>To reclassify Short-Term Notes Payable shareholder loans to agree with audited amount.</i>		\$140,000
10	A	41	4	253	Other Credits	\$4,000	
	A	45	4	271	Contributions in Aid of Construction <i>To reclassify Other Credits to agree with the audited amount.</i>		\$4,000
11	A	30	4	215	Retained Earnings	\$6,786	
	A	47	4	282	Accumulated Deferred Income Taxes-ACRS Depreciation <i>To adjust Accumulated Deferred Income Taxes-ACRS Depreciation to agree with the audited amount.</i>		\$6,786
12	A	24	4	NA	Adjustment for Different Calculation of Depreciation	\$590,623	
	A	30	4	215	Retained Earnings <i>To eliminate unauthorized account that is not in accordance with the USOA requirements.</i>		\$590,623
13	A	45	4	271	Contributions in Aid of Construction	\$2,500	
	A	30	4	215	Retained Earnings <i>To adjust Contributions in Aid of Construction balance to agree with the Company's records.</i>		\$2,500
14	A	45	4	271	Contributions in Aid of Construction	\$104,568	
	A	30	4	215	Retained Earnings <i>To adjust Contributions in Aid of Construction balance to agree with the USOA requirements.</i>		\$104,568

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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
15	A	30	4	215	Retained Earnings	\$47,056	
	A	46	4	272	Accumulated Amortization of Contributions <i>To adjust Accumulated Amortization of Contributions balance to agree with the audited amount.</i>		\$47,056
16	F	7	4	480	Other Water Revenue	\$6,278	
	F	5	4	470	Metered Water Revenue <i>To adjust Other Water Revenue to agree with the audited amount.</i>		\$6,278
17	F	14	4	615	Power	\$3,022	
	A	30	4	215	Retained Earnings <i>To adjust Power expense to agree with the subsequent year audited amount.</i>		\$3,022
18	F	30	4	689	General Expense	\$5,600	
	F	22	4	671	Management Salaries <i>To reclassify Management Salaries expense to agree with the audited amount.</i>		\$5,600
19	F	27	4	682	Professional Services	\$19,927	
	A	30	4	215	Retained Earnings <i>To adjust Professional Services expense to agree with the subsequent year audited amount.</i>		\$19,927
20	A	47	4	282	Accumulated Deferred Income Taxes-ACRS Depreciation	\$2,259	
	A	30	4	215	Retained Earnings <i>To adjust Accumulated Deferred Income Taxes - ACRS Depreciation to agree with the audited amount as a result of change in water rights amortization methodology.</i>		\$2,259

Financial Audit of Lake Alpine Water Company Financial Statements
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Audit Adj. No.	Annual Report				Description	For the Year 2014	
	Sch.	Line	Col.	Acct. No.		Debit	Credit
21	F	32	4	403	Depreciation Expense	\$15,059	
	A	30	4	215	Retained Earnings <i>To adjust Amortization Expense to agree with audited amount as a result of change in water rights amortization methodology.</i>		\$15,059
22	A	49	4	460	Deferred Revenue-SDW Surcharges	\$286,164	
	A	30	4	215	Retained Earnings <i>To eliminate unauthorized account that is not in accordance with the USOA requirements.</i>		\$286,164
23	A	50	4	NA	Adjustment for Differences in PUC and LAWC Accounts	\$361,061	
	A	30	4	215	Retained Earnings <i>To eliminate unauthorized account that is not in accordance with the USOA requirements.</i>		\$361,061
24	F	33	4	407	SDWBA Loan Amortization Expense	\$3,062	
	A	30	4	215	Retained Earnings <i>To adjust SDWBA Loan Amortization expense to agree with the audited amount.</i>		\$3,062
25	F	30	4	689	General Expense	\$10,156	
	F	34	4	408	Taxes Other Than Income Taxes <i>To reclassify Taxes Other Than Income Taxes expense to agree with the audited amount.</i>		\$10,156
26	A	30	4	215	Retained Earnings	\$5,579	
	F	35	4	409	State Corporate Income Tax Expense <i>To reclassify State Corporate Income Tax Expense to agree with the audited amount.</i>		\$5,579
27	A	30	4	215	Retained Earnings	\$11,445	
	F	36	4	410	Federal Corporate Income Tax Expense <i>To reclassify Federal Corporate Income Tax Expense to agree with the audited amount.</i>		\$11,445