



**Financial Audit of
Tahoe Park Water Company
Financial Statements**

For the Years Ended December 31, 2012 and 2013

November 11, 2016



Acknowledgement

**The following Commission Staff contributed to the completion of this audit report:
Kayode Kajopaiye, Raymond Yin, and Khai Duong**

**Audit of Financial Statements of
Tahoe Park Water Company
For the Years Ended December 31, 2012 and 2013**

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PUBLIC UTILITIES COMMISSION

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Report of Independent Auditors

Richard Dewante, President
Tahoe Park Water Company
5000 Windplay Drive, Suite 4
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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 Tahoe Park Water Company (TPWC), which are comprised of the balance sheets as of December 31, 2012 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

TPWC's management is responsible for the preparation and fair presentation of the financial statements presented in the 2012 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 TPWC'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 judgement, 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 Water Plant in Service, Current Assets, Retained Earning as of December 31, 2012 and 2013, and the Long-Term Debt balances as described in the following paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Tahoe Park Water Company as of December 31, 2012 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.

As described in Note 1, UAFCB does not express an opinion on Water Plant in Service and Current Assets due to TPWC's non-compliance with USOA accounting and reporting requirements.

As described in Note 3, UAFCB does not express an opinion on the balances of Retained Earnings as of December 31, 2012 and 2013, because TPWC was unable to provide adequate, verifiable support documentation for it.

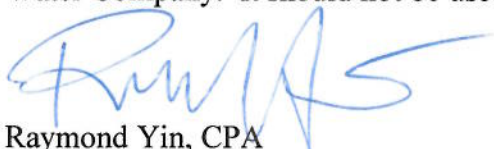
As described in Note 2, UAFCB also does not express an opinion on Long-Term Debt balances as of December 31, 2012 and 2013, due to TPWC's non-compliance with the requirements of Public Utilities Code, Section 818, and USOA.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements of TPWC were originally prepared on an accrual basis of accounting as required by the USOA or Generally Accepted Accounting Principles (GAAP) but are not in total compliance with the approved reporting standards. The corrections on the reported financial statements were achieved via audit adjustments by the UAFCB.

Use of Report

The report is intended solely for the information and use by the Commission and Tahoe Park 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
Tahoe Park Water Company
For the Years Ended December 31, 2012 and 2013**

Balance Sheets

| | As of December 31 for the Year | |
|--|---|--------------------|
| | 2013 | 2012 |
| ASSETS | | |
| UTILITY PLANT | | |
| Water Plant in Service (Note 1) | \$2,708,113 | \$2,707,700 |
| Water Plant in Service - SDWBA | 606,349 | 606,349 |
| Water Plant Construction Work in Progress | 102,805 | 92,429 |
| Accumulated Depreciation of Water Plant (Note 1) | (497,848) | (450,362) |
| Accumulated Amortization of SDWBA loan | <u>(606,349)</u> | <u>(606,349)</u> |
| <i>Net Utility Plant</i> | 2,313,070 | 2,349,767 |
| CURRENT AND ACCRUED ASSETS | | |
| Cash | 40,639 | (5,367) |
| Accounts Receivable - Customers | 13,872 | 15,831 |
| Material and Supplies | 10,000 | 10,000 |
| Receivable from Associated Companies | 6,485 | 7,467 |
| Deferred Charges | <u>802</u> | <u>2,515</u> |
| <i>Total Current Assets</i> | 71,798 | 30,446 |
| Total Assets | <u>\$2,384,868</u> | <u>\$2,380,213</u> |
| CAPITALIZATION AND LIABILITIES | | |
| CORPORATE CAPITAL AND SURPLUS | | |
| Common Stock | \$0 | \$0 |
| Other Paid in Capital | 218,311 | 198,661 |
| Retained Earnings (Note 3) | <u>616,354</u> | <u>559,587</u> |
| <i>Total Capitalization</i> | 834,665 | 758,248 |
| LONG-TERM DEBT | | |
| Long Term Debt (Note 2) | 874,530 | 1,014,488 |
| OTHER CREDITS | | |
| Advances for Construction | 40,150 | 42,475 |
| Other Deferred / Interest | <u>151,468</u> | <u>25,631</u> |
| <i>Total Other Credits</i> | 191,618 | 68,106 |
| CURRENT LIABILITIES | | |
| Accounts Payables | 20,905 | 59,968 |
| CONTRIBUTIONS IN AID OF CONSTRUCTION | | |
| Contributions in Aid of Construction | 650,123 | 650,123 |
| Accumulated Amortization of Contributions | <u>(186,973)</u> | <u>(170,720)</u> |
| <i>Net Contributions in Aid of Construction</i> | 463,150 | 479,403 |
| Total Capitalization and Liabilities | <u>\$2,384,868</u> | <u>\$2,380,213</u> |

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

Income Statements

| | For the Year of | |
|--|-----------------|------------------|
| | 2013 | 2012 |
| OPERATING REVENUES | | |
| Unmetered Water Revenue | \$360,546 | \$347,126 |
| Metered Revenue | 55,680 | 55,482 |
| Other Water Revenue | <u>1,477</u> | <u>1,081</u> |
| Total Operating Revenues (Note 1) | 417,703 | 403,689 |
| OPERATING EXPENSES | | |
| Plant Operation and Maintenance Expenses | | |
| Power | 31,772 | 27,538 |
| Other Volume Related Expenses | 147 | 88 |
| Employee Labor | 0 | 0 |
| Materials | 5,554 | 6,660 |
| Contract Work | 38,798 | 43,433 |
| Transportation Expenses | 21,869 | 22,347 |
| Other Plant Maintenance Expenses | <u>2,404</u> | <u>1,415</u> |
| Total Plant Operation and Maintenance Expense | 100,544 | 101,481 |
| Administrative and General Expenses | | |
| Office Salaries | 0 | 0 |
| Management Salaries | 30,000 | 30,000 |
| Employee Pensions and Benefits | 6,858 | 7,888 |
| Office Services and Rentals | 8,095 | 8,145 |
| Office Supplies and Expenses | 15,150 | 15,603 |
| Professional Services | 42,418 | 34,037 |
| Insurance | 5,653 | 5,285 |
| Regulatory Commission Expense | 3,577 | 3,426 |
| General Expenses | <u>7,390</u> | <u>12,240</u> |
| Total Administrative and General Expenses | <u>119,141</u> | <u>116,624</u> |
| Total Operating Expenses | 219,685 | 218,105 |
| Depreciation Expense (Note 1) | 47,331 | 45,661 |
| Taxes Other Than Income Taxes | 12,932 | 15,936 |
| State Corporate Income Tax Expense | 1,265 | 800 |
| Federal Corporate Income Tax Expense | <u>0</u> | <u>4,902</u> |
| Total Operating Revenue Deductions | 61,528 | 67,299 |
| Total Utility Operating Income | 136,490 | 118,285 |
| Non-utility Income (Note 1) | 45,959 | 71,913 |
| Miscellaneous non-utility expense (Note 1) | (61,930) | (56,086) |
| Interest Expense | <u>(27,116)</u> | <u>(27,002)</u> |
| Total Other Income and Deductions | (43,087) | (11,175) |
| Net Income | <u>\$93,403</u> | <u>\$107,110</u> |

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

Statements of Retained Earnings

| | For the Year of | |
|--|-----------------|---------------|
| | 2013 | 2012 |
| Retained Earnings, Beginning of Year | \$559,587 | \$475,001 |
| CREDITS: | | |
| UAFCB Audit Adjustment to Beginning Retained Earnings (Footnote 1) | 111,373 | 28,454 |
| Net Income | 93,403 | 107,110 |
| Total Credits | 204,776 | 135,564 |
| DEBITS: | | |
| UAFCB Cumulative Adjustment to Retained Earnings (Footnote 2) | (118,605) | 0 |
| UAFCB Adjustment to Cash | 0 | (12,176) |
| UAFCB Adjustment to Accounts Receivable - Customers | (6,261) | (6,261) |
| UAFCB Adjustment to Power Expenses | (1,713) | (5,947) |
| UAFCB Adjustment to State income Taxes | (6,379) | (8,975) |
| UAFCB Adjustment to Federal Income Taxes | (15,051) | (17,619) |
| Total Debits | (148,009) | (50,978) |
| Retained Earnings, End of Year | \$616,354 | \$559,587 |

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

Statement of Retained Earnings Footnotes:

1. For Year 2012, the UAFCB audit adjustment of \$28,454 reflects the variance of Retained Earnings beginning balance of \$503,455 imputed from the 2012 Annual Report and the reported Retained Earnings ending balance of \$475,001 per the 2011 Annual Report.

For Year 2013, the UAFCB audit adjustment consisted of the followings:

- (1) The UAFCB audit adjustment of \$107,635 reflecting the variance of Retained Earnings beginning balance of \$678,192 imputed from the 2013 Annual Report and the reported Retained Earnings ending balance of \$570,557 per the 2012 Annual Report.
 - (2) An adjustment to the unexplained variance of \$3,738 to balance the Statement of Retained Earnings.
2. This amount represents the cumulative adjustment to the reported beginning balance of Retained Earnings as of January 1, 2013. Detailed computation is shown below:

| | | |
|--|-----------|-------------|
| Retained Earnings as of 01/01/2013 – As Audited | | \$559,587 |
| Retained Earnings as of 12/31/2013 – As Reported | \$741,967 | |
| Less: 2013 Net Income – As Reported | 63,775 | |
| Retained Earnings as of 01/01/2013 – As Imputed | | 678,192 |
| Variance – UAFCB Cumulative adjustment | | (\$118,605) |

Statements of Cash Flows

| | For the Year of | |
|---|------------------------|-------------------------|
| | 2013 | 2012 |
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Net Income | \$93,403 | \$107,110 |
| Adjustments to Reconcile Net Income to Cash Provided by Operating Activities | | |
| Depreciation and Amortization | 47,331 | 45,661 |
| Decrease in Receivables - Customers | 1,959 | 14,071 |
| (Increase) Decrease in Receivables from Associated Companies | 982 | (7,467) |
| Decrease in Deferred Charges | 1,713 | 5,947 |
| Decrease in Current Liabilities | <u>(39,063)</u> | <u>(560,317)</u> |
| Net Cash Provided by Operating Activities | 106,325 | (394,995) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net Plant Additions | (413) | (55,887) |
| Increase Water Plant Construction Work in Progress | (10,376) | (92,429) |
| Advances for Construction | <u>(2,325)</u> | <u>(2,325)</u> |
| Net Cash Used for Investing Activities | (13,114) | (150,641) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase (Decrease) in Other Paid in Capital | 19,650 | 4,718 |
| Adjustment in Retained Earnings | (52,734) | (38,777) |
| Increase (Decrease) in Long-Term Debt | (139,958) | 692,012 |
| Accumulated Deferred Credits | <u>125,837</u> | <u>(138,480)</u> |
| Net Cash Used for Financing Activities | (47,205) | 519,473 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 46,006 | (26,163) |
| CASH AT BEGINNING OF YEAR | <u>(5,367)</u> | <u>20,796</u> |
| CASH AT END OF YEAR | <u>\$40,639</u> | <u>\$(5,367)</u> |

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Tahoe Park Water Company (TPWC) was incorporated in December of 1995. TPWC is a Class C water utility that provides water service to the Tahoe Park Tract and Miramar Heights Tract adjacent to State Highway 89, two miles south of Tahoe City and located within Placer County.

The financial statements of TPWC were originally prepared on an accrual basis of accounting as required by the Uniform System of Accounts (USOA) or Generally Accepted Accounting Principles (GAAP). The Statements of Retained Earnings and Statements of Cash Flows are not required by the Commission when TPWC files its Annual Reports with the Commission. Therefore, the accompanying Statements of Retained Earnings and Statements of Cash Flows were compiled by UAFCB based on the audited financial information of TPWC's Balance Sheets and Income Statements.

(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 2013 and 2012, respectively. Appendix C and Appendix D summarize the detail UAFCB audit adjustments for Years 2013 and 2012, 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 at cost and charged against accumulated depreciation.

TPWC plant's classification and reporting are not in compliance with USOA requirements. Therefore, UAFCB made audit adjustments to report SDWBA assets and correctly state Water Plant in Service as well as Construction Work in Progress.

(c) Current Assets

Cash was not reported in compliance with USOA and Accounts Receivable – Customers were overstated. UAFCB does not express an opinion on these accounts and made audit adjustments to correct the reported balances.

(d) Depreciation of Water Plant

Depreciation is computed using a straight-line composite rate of 2.7% (equivalent to depreciating the plant assets over approximately 37 years) to depreciate all of its plant assets for ratemaking purpose and for reporting the depreciation expense in its Annual Reports filed with the Commission.

(e) Revenues

TPWC revenues are obtained from flat rate service to its customers on an annual basis. In addition, a small portion of TPWC revenue is from metered service. TPWC computed its water revenues based on tariffs approved by the Commission.

(f) Non-Utility Income and related expenses

TPWC reports revenues from providing management and maintenance services to a water system adjacent to its service area, owned by the Talmont Resort Improvement District. TPWC subcontracts some of the maintenance work to Dewante & Stowell, an affiliated company.

(2) Long-Term Debt

In its 2012 and 2013 annual reports, TPWC reported Long-Term Debt (USOA Account 224) of \$299,880 and \$227,771, respectively. The audited balances for Long-Term Debt are \$1,014,488 in 2012 and \$874,530 in 2013. The Long Term Debt is an open promissory note to Dewante & Stowell, an affiliated company.

Public Utility Code (PUC), Section 818 requires that a public utility, in addition to other requirements of law, to secure Commission approval to issue stocks, bonds, notes or other evidence of *indebtedness* payable at periods of more than twelve (12) months. PUC Section 818 also requires that the loan proceeds not to be used in whole or in part for operating expenses or charges against income.

TPWC has not requested nor received Commission authorization for the Long-Term Debt it reported in its 2012 and 2013 Annual Reports. To correct its omission and to comply with the requirements of PUC Section 818 and USOA, TPWC should file a Tier 3 Advice Letter with the Commission to seek authorization for the long-term debt incurred. The filing must indicate the terms and conditions of the loan, the purpose of the use of proceeds, and if the utility assets were encumbered.

(3) Retained Earnings

The balance of Retained Earnings per TPWC's Annual Reports was \$475,001 as of December 31, 2011 and \$570,557 as of December 31, 2012. TPWC reported a net income of \$67,102 in 2012 in its 2012 Annual Report that should result in an ending Retained Earnings of \$542,103. A discrepancy of \$28,454 was noted between the reported \$570,557 and the calculated ending Retained Earnings of \$542,103 in 2012. Similarly, a discrepancy of \$125,837 (rounded) was calculated in 2013 which is the difference between the reported Retained Earnings of \$741,967 and the audited Retained Earnings of \$616,354. UAFCB made memo audit adjustments to the noted discrepancies.

TPWC did not provide adequate, verifiable supporting documentation to explain the noted differences. As a result, UAFCB was unable to verify the accuracy of these reported Retained Earnings amounts. Therefore, UAFCB does not express an opinion on these reported amounts.

(4) Annual Reports

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

TPWC, in spite of significant business activities with Dewante & Stowell an affiliated company, is not required to file an Affiliate Transaction Report with the Commission and comply with the Affiliate Transaction Rules, as adopted by D.10-10-019.

Appendix A

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 | 1 | 4 | 101 | Water Plant in Service | | \$102,805 |
| 1 | A | 1 | 4 | 101.1 | Water Plant in Service – SDWBA | \$606,349 | |
| 1 | A | 4 | 4 | 105 | Construction Work in Progress – Water Plant | 102,805 | |
| 1 | A | N/A | 4 | 108.1 | Accumulated Amortization of SDWBA loan | | 606,349 |
| 2 | A | 8 | 4 | 131 | Cash | 3,368 | |
| 3 | A | 9 | 4 | 141 | Accounts Receivable – Customers | | 6,261 |
| 10 | A | 10 | 4 | 142 | Receivable from Associated Companies | 6,485 | |
| 4 | A | 2 | 7 | 211 | Other Paid in Capital | | 218,311 |
| 3,8,12,13 | A | 3 | 7 | 215 | Retained Earnings | 29,404 | |
| MI | A | 3 | 7 | 215 | Retained Earnings | 125,837 | |
| 4 | A | 4 | 7 | 218 | Proprietary Capital | 218,311 | |
| 5, 6 | A | 5 | 7 | 224 | Long Term Debt | | 646,759 |
| 2, 5 | A | 6 | 7 | 241 | Other Current Liabilities | 462,411 | |
| 6,7 | A | 8 | 7 | 253 | Other Credits | 155,349 | |
| MI | A | 8 | 7 | 253 | Other Credits | | 125,837 |
| 7 | A | 12 | 7 | 282 | Accumulated Deferred Income Taxes – Other | 25,631 | |
| <u>Net Financial Impact on Income Statements Items:</u> | | | | | | | |
| 8 | F | 19 | 4 | 615 | Power Expenses | | \$ 1,713 |
| 9 | F | 21 | 4 | 630 | Employee Labor | | 24,283 |
| 9,10,11 | F | 23 | 4 | 650 | Contract Work | \$ 27,761 | |
| 10 | F | 28 | 4 | 674 | Employee Pensions and Benefits | | 7,456 |
| 14 | F | 34 | 4 | 688 | Regulatory Commission Expense | 3,577 | |
| 14 | F | 17 | 4 | N/A | Operating Expenses – DHS Fees | | 3,577 |
| 11 | F | 39 | 4 | 408 | Taxes other than Income Taxes | | 2,507 |
| 12 | F | 40 | 4 | 409 | State Corporate Income Tax Expenses | | 6,379 |
| 13 | F | 41 | 4 | 410 | Federal Corporate Income Tax Expenses | | 15,051 |

Appendix B

Summary of Net Financial Impact Resulting from UAFCB's Audit Adjustments for Year 2012

The following is a summary of net financial impact resulting from UAFCB's audit adjustments for Year 2012.

| Audit Adj. No. | Annual Report | | | | Description | For the Year 2012 | |
|--|---------------|------|-----|-------------|---|-------------------|-----------|
| | 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 | | \$ 92,429 |
| 1 | A | 1 | 4 | 101.1 | Water Plant in Service – SDWBA | \$ 606,349 | |
| 1 | A | 4 | 4 | 105 | Construction Work in Progress – Water Plant | 92,429 | |
| 1 | A | N/A | 4 | 108.1 | Accumulated Amortization of SDWBA loan | | 606,349 |
| 2 | A | 8 | 4 | 131 | Cash | | 6,011 |
| 3 | A | 9 | 4 | 141 | Accounts Receivable – Customers | | 6,261 |
| 10,11 | A | 10 | 4 | 142 | Receivable from Associated Companies | 7,467 | |
| 4 | A | 2 | 7 | 211 | Other Paid in Capital | | 198,661 |
| 2,3,8,14,15 | A | 3 | 7 | 215 | Retained Earnings | 50,978 | |
| 4 | A | 4 | 7 | 218 | Proprietary Capital | 198,661 | |
| 5, 6 | A | 5 | 7 | 224 | Long Term Debt | | 714,608 |
| 2, 5 | A | 6 | 7 | 241 | Other Current Liabilities | 554,463 | |
| 6, 7 | A | 8 | 7 | 253 | Other Credits | 128,349 | |
| 7 | A | 12 | 7 | 283 | Accumulated Deferred Income Taxes – Other | 25,631 | |
| <u>Net Financial Impact on Income Statements Items:</u> | | | | | | | |
| 8 | F | 19 | 7 | 615 | Power Expenses | | \$ 5,947 |
| 9 | F | 21 | 7 | 630 | Employee Labor | | 29,089 |
| 9,11,13 | F | 23 | 7 | 650 | Contract Work | \$ 33,255 | |
| 10 | F | 24 | 7 | 660 | Transportation Expenses | | 1,143 |
| 11 | F | 28 | 7 | 674 | Employee Pensions and Benefits | | 7,488 |
| 16 | F | 34 | 7 | 688 | Regulatory Commission Expense | 3,426 | |
| 12 | F | 35 | 7 | 689 | General Expenses | | 1,270 |
| 16 | F | 17 | 4 | N/A | Operating Expenses – DHS Fees | | 3,426 |
| 12,13 | F | 39 | 4 | 408 | Taxes other than Income Taxes | | 1,732 |
| 14 | F | 40 | 4 | 409 | State Corporate Income Taxes | | 8,975 |
| 15 | F | 41 | 4 | 410 | Federal Corporate Income Taxes | | 17,619 |

Appendix C

Summary of Audit Adjustments for Year 2013

| Audit Adj. No. | Annual Report | | | | Description | Debit | Credit |
|--|---------------|------|------|----------|---|-----------|-----------|
| | Sch. | Line | Col. | Acct No. | | | |
| 1 | A | 4 | 4 | 105 | Construction Work in Progress – Water Plant | \$102,805 | |
| | A | 1 | 4 | 101.1 | Water Plant in Service – SDWBA | 606,349 | |
| | A | 1 | 4 | 101 | Water Plant in Service | | \$102,805 |
| | A | N/A | 4 | 108.1 | Accumulated Amortization of SDWBA loan | | 606,349 |
| <i>To correctly report Water Plant in Service and Construction Work in Progress.</i> | | | | | | | |
| 2 | A | 8 | 4 | 131 | Cash | \$3,368 | |
| | A | 6 | 7 | 241 | Other Current Liabilities | | \$3,368 |
| <i>To correctly classify Capital One balances.</i> | | | | | | | |
| 3 | A | 3 | 7 | 215 | Retained Earnings | \$6,261 | |
| | A | 9 | 4 | 141 | Accounts Receivable – Customers | | \$6,261 |
| <i>To correctly report Accounts Receivable - Customers.</i> | | | | | | | |
| 4 | A | 4 | 7 | 218 | Proprietary Capital | \$218,311 | |
| | A | 2 | 7 | 211 | Other Paid-in Capital | | \$218,311 |
| <i>To correctly report Other Paid-in Capital.</i> | | | | | | | |
| 5 | A | 6 | 7 | 241 | Other Current Liabilities | \$465,779 | |
| | A | 5 | 7 | 224 | Long-Term Debt | | \$465,779 |
| <i>To correctly report Current Liabilities and Long-Term Debt.</i> | | | | | | | |
| 6 | A | 8 | 7 | 253 | Other Credits | \$180,980 | |
| | A | 5 | 7 | 224 | Long-Term Debt | | \$180,980 |
| <i>To correctly report deferred interest on the note and Long-Term Debt.</i> | | | | | | | |

Summary of Audit Adjustments for Year 2013

| Audit Adj. No. | Annual Report | | | | Description | Debit | Credit |
|--|---------------|------|------|----------|---|----------|----------|
| | Sch. | Line | Col. | Acct No. | | | |
| 7 | A | 12 | 7 | 283 | Accumulated Deferred Income Taxes – Other | \$25,631 | |
| | A | 8 | 7 | 253 | Other Credits | | \$25,631 |
| <i>To correctly report back taxes owed.</i> | | | | | | | |
| 8 | A | 3 | 7 | 215 | Retained Earnings | \$1,713 | |
| | F | 19 | 4 | 615 | Power | | \$1,713 |
| <i>To correctly report power expenses.</i> | | | | | | | |
| 9 | F | 23 | 4 | 650 | Contract Work | \$24,283 | |
| | F | 21 | 4 | 630 | Employee Labor | | \$24,283 |
| <i>To correctly classify employee labor expenses.</i> | | | | | | | |
| 10 | F | 23 | 4 | 650 | Contract Work | \$ 971 | |
| | A | 10 | 4 | 142 | Receivable from Associated Companies | 6,485 | |
| | F | 28 | 4 | 674 | Employee Pensions and Benefits | | \$7,456 |
| <i>To correctly classify 401K and health insurance benefits.</i> | | | | | | | |
| 11 | F | 23 | 4 | 650 | Contract Work | \$2,507 | |
| | F | 39 | 4 | 408 | Taxes Other Than Income Taxes | | \$2,507 |
| <i>To correctly classify recorded payroll taxes.</i> | | | | | | | |
| 12 | A | 3 | 7 | 215 | Retained Earnings | \$6,379 | |
| | F | 40 | 4 | 409 | State Corporate Income Taxes | | \$6,379 |
| <i>To correctly report state corporate income taxes.</i> | | | | | | | |
| 13 | A | 3 | 7 | 215 | Retained Earnings | \$15,051 | |
| | F | 41 | 4 | 410 | Federal Corporate Income Taxes | | \$15,051 |
| <i>To correctly report federal corporate income taxes.</i> | | | | | | | |

Summary of Audit Adjustments for Year 2013

| Audit Adj. No. | Annual Report | | | | Description | Debit | Credit |
|----------------|---------------|------|------|----------|--|-----------|-----------|
| | Sch. | Line | Col. | Acct No. | | | |
| 14 | F | 34 | 4 | 688 | Regulatory Commission Expense | \$3,577 | |
| | F | 17 | 4 | N/A | Operating Expenses – DHS Fees | | \$3,577 |
| | | | | | <i>To correctly classify DHS fees.</i> | | |
| M 1 | A | 3 | 7 | 215 | Retained Earnings | \$125,837 | |
| | A | 8 | 7 | 253 | Other Credits | | \$125,837 |
| | | | | | <i>To correctly state Retained Earnings.</i> | | |

Appendix D

Summary of Audit Adjustments for Year 2012

| Audit Adj. No. | Annual Report | | | | Description | Debit | Credit |
|--|---------------|------|------|----------|---|-----------|-----------|
| | Sch. | Line | Col. | Acct No. | | | |
| 1 | A | 4 | 4 | 105 | Construction Work in Progress – Water Plant | \$92,429 | |
| | A | 1 | 4 | 101.1 | Water Plant in Service – SDWBA | 606,349 | |
| | A | 1 | 4 | 101 | Water Plant in Service | | \$92,429 |
| | A | N/A | 4 | 108.1 | Accumulated Amortization of SDWBA loan | | 606,349 |
| <i>To correctly report Water Plant in Service and Construction Work in Progress.</i> | | | | | | | |
| 2 | A | 8 | 4 | 131 | Cash | \$6,165 | |
| | A | 3 | 7 | 215 | Retained Earnings | 12,176 | |
| | A | 8 | 4 | 131 | Cash | | \$12,176 |
| | A | 6 | 7 | 241 | Other Current Liabilities | | 6,165 |
| <i>To correctly report El Dorado Savings and Capital One balances.</i> | | | | | | | |
| 3 | A | 3 | 7 | 215 | Retained Earnings | \$6,261 | |
| | A | 9 | 4 | 141 | Accounts Receivable – Customers | | \$6,261 |
| <i>To correctly report Accounts Receivable - Customers.</i> | | | | | | | |
| 4 | A | 4 | 7 | 218 | Proprietary Capital | \$198,661 | |
| | A | 2 | 7 | 211 | Other Paid-in Capital | | \$198,661 |
| <i>To correctly report Other Paid-in Capital.</i> | | | | | | | |
| 5 | A | 6 | 7 | 241 | Other Current Liabilities | \$560,628 | |
| | A | 5 | 7 | 224 | Long-Term Debt | | \$560,628 |
| <i>To correctly report Other Current Liabilities and Long-Term Debt.</i> | | | | | | | |
| 6 | A | 8 | 7 | 253 | Other Credits | \$153,980 | |
| | A | 5 | 7 | 224 | Long-Term Debt | | \$153,980 |
| <i>To correctly report deferred interest on the note and Long-Term Debt.</i> | | | | | | | |

Summary of Audit Adjustments for Year 2012

| Audit Adj. No. | Annual Report | | | Description | Debit | Credit | |
|----------------|---------------|----|---|-------------|--|----------|----------|
| 7 | A | 12 | 7 | 283 | Accumulated Deferred Income Taxes | \$25,631 | |
| | A | 8 | 7 | 253 | Other Credits | | \$25,631 |
| | | | | | <i>To correctly report back taxes owed.</i> | | |
| 8 | A | 3 | 7 | 215 | Retained Earnings | \$5,947 | |
| | F | 19 | 4 | 615 | Power | | \$5,947 |
| | | | | | <i>To correctly report power expenses.</i> | | |
| 9 | F | 23 | 4 | 650 | Contract Work | \$29,089 | |
| | F | 21 | 4 | 630 | Employee Labor | | \$29,089 |
| | | | | | <i>To correctly classify employee labor expenses.</i> | | |
| 10 | A | 10 | 4 | 142 | Receivable from Associated Companies | \$1,143 | |
| | F | 24 | 4 | 660 | Transportation Expense | | \$1,143 |
| | | | | | <i>To recognize an intercompany receivable for non-utility expenses.</i> | | |
| 11 | F | 23 | 4 | 650 | Contract Work | \$1,164 | |
| | A | 10 | 4 | 142 | Receivable from Associated Companies | 6,324 | |
| | F | 28 | 4 | 674 | Employee Pensions and Benefits | | \$7,488 |
| | | | | | <i>To correctly classify 401K and health insurance benefits.</i> | | |
| 12 | F | 39 | 4 | 408 | Taxes Other Than Income Taxes | \$1,270 | |
| | F | 35 | 4 | 689 | General Expense | | \$1,270 |
| | | | | | <i>To correctly classify secured property taxes.</i> | | |
| 13 | F | 23 | 4 | 650 | Contract Work | \$3,002 | |
| | F | 39 | 4 | 408 | Taxes Other Than Income Taxes | | \$3,002 |
| | | | | | <i>To correctly classify reported payroll taxes.</i> | | |

Summary of Audit Adjustments for Year 2012

| Audit Adj. No. | Annual Report | | | | Description | Debit | Credit |
|----------------|---------------|----|---|-----|---|----------|----------|
| 14 | A | 3 | 7 | 215 | Retained Earnings | \$8,975 | |
| | F | 40 | 4 | 409 | State Corporate Income Taxes | | \$8,975 |
| | | | | | <i>To correctly report state corporate income taxes.</i> | | |
| 15 | A | 3 | 7 | 215 | Retained Earnings | \$17,619 | |
| | F | 41 | 4 | 410 | Federal Corporate Income Taxes | | \$17,619 |
| | | | | | <i>To correctly report federal corporate income taxes</i> | | |
| 16 | F | 34 | 4 | 688 | Regulatory Commission Expense | \$3,426 | |
| | F | 17 | 4 | N/A | Operating Expenses – DHS Fees | | \$3,426 |
| | | | | | <i>To correctly report DHS fees.</i> | | |