



# REVIEW OF FINANCIAL STATEMENTS

## California-American Water Company–Monterey Sewer District

For the Year Ended December 31, 2021

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
January 30, 2023



## **MEMBERS OF THE TEAM**

**Angie Williams, Director**

**Masha Vorobyova, Assistant Director**

**Raymond Yin, CPA  
Program and Project Supervisor**

**Khusbindar Kaur, CPA  
Lead**

**Sam Niepoth  
Staff**

**Tir Saephan  
Staff**

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You can contact our office at:  
California Public Utilities Commission  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, CA 95811

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

January 30, 2023

Kevin Tilden, President  
California-American Water Company  
655 W. Broadway, Suite 1410  
San Diego, CA 92101

Dear Mr. Tilden:

**Final Report Transmittal Letter—Review of California American Water Company—Monterey Sewer District's 2021 Annual Report for the Year Ended December 31, 2021**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its review of California American Water Company (CAWC)—Monterey Sewer District's (CAWC—Monterey)'s regulatory basis financial statements in the 2021 Annual Report filed with the CPUC, which comprise the balance sheet as of December 31, 2021, and related statements of income, and retained earnings. The final review report is enclosed.

Our review disclosed no findings requiring a response and we are issuing the report as final. We will post the final review report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

We appreciate CAWC's assistance and cooperation during the engagement. If you have any questions regarding this report, please contact Raymond Yin, Program and Project Supervisor, at (415) 703-1818.

Sincerely,

*Angie Williams*

Angie Williams, Director  
Utility Audits, Risk and Compliance Division

cc: on next page

Kevin Tilden, President  
California-American Water Company  
January 30, 2023  
Page 2

cc: Jeffrey Linam, Vice President of Rates and Regulatory, CAWC  
Garry Hofer, Vice President of Operations, CAWC  
Wes Owens, Director of Rates and Regulatory, CAWC  
Christina Baril, Project Manager, CAWC  
Rachel Peterson, Executive Director, CPUC  
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC  
Terence Shia, Director, Water Division, CPUC  
Masha Vorobyova, Assistant Director, UAB, CPUC  
Bruce Berry, Program Manager, Water Division, CPUC  
Raymond Yin, Program and Project Supervisor, UAB, CPUC  
Khusbindar Kaur, Senior Management Auditor, UAB, CPUC  
Marlene Noss, Senior Management Auditor, UAB, CPUC  
Sam Niepoth, Associate Management Auditor, UAB, CPUC  
Chee Saephan, Staff Services Management Auditor, UAB, CPUC

# TABLE OF CONTENTS

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EXECUTIVE SUMMARY.....	1
INDEPENDENT ACCOUNTANT’S REVIEW REPORT.....	2
REVIEWED FINANCIAL STATEMENTS .....	4
Balance Sheet (As Reviewed).....	4
Income Statement (As Reviewed).....	5
Statement of Retained Earnings (As Compiled).....	6
Notes to Financial Statements.....	7

## EXECUTIVE SUMMARY

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The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a review of the financial statements of California-American Water Company (CAWC)–Monterey Sewer District (CAWC–Monterey) as of December 31, 2021, pursuant to Public Utilities (PU) Code Sections 314.5, 314.6, 581, 582, and 584 that provide the CPUC the statutory authority to review or audit the books and records of the regulated utilities. We conducted this review in accordance with the standards applicable to reviews of financial statements prescribed by the generally accepted government auditing standards (GAGAS), except for obtaining an external peer review. UAB was unable to obtain an external peer review timely due to delays caused by the COVID-19 pandemic. However, this does not affect UAB’s adherence to all other GAGAS requirements and our conclusion on this review engagement is not modified with respect to this matter.

Incorporated in California in 1965, CAWC is a subsidiary of American Water Works Company, Inc. CAWC is a Class A water utility that provides water and wastewater services throughout the State of California. CAWC–Monterey provides active and passive wastewater services to 2,474 active flat rate customer service connections<sup>1</sup> across eight tariff areas in its Central Division: Las Palmas, Pasadera, Carmel Valley Ranch, Indian Springs, White Oaks, Spreckels, Village Green, and Oak Hills.<sup>2</sup> As a regulated sewer utility, CAWC–Monterey is required to prepare its financial statements on accrual basis of accounting set forth in the Uniform System of Accounts (USOA) adopted in Decision (D.) 16-11-006 by the CPUC on November 16, 2016, which is a comprehensive basis of accounting other than the generally accepted accounting principles in the United States of America.

The purpose of this review was to obtain limited assurance as a basis for reporting whether we were aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the USOA. In conjunction with our review of the financial statements, UAB also reviewed, for regulatory purposes, whether CAWC–Monterey complied with the following:

- a) PU Code Section 818 regarding obtaining CPUC’s approval before incurring any long-term debts.
- b) Timely filing of the 2021 Annual Report as required by the Water Division Memorandum dated December 31, 2021.

Based on our review, we are not aware of any material modifications that should be made to CAWC–Monterey’s financial statements in order for them to be in accordance with the accounting framework prescribed by the USOA. For the review period, UAB did not note any noncompliance with PU Code Section 818; and CAWC–Monterey filed its 2021 Annual Report timely in compliance with the CPUC directive from the Water Division.

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<sup>1</sup> CAWC–Monterey’s 2021 Annual Report, Schedule I Service Connections at End of Year, Page 19.

<sup>2</sup> CAWC Tariff Book, Rate Schedule No. SA – Active Sewer Service and Schedule No. SP – Passive Sewer Service.



# INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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Kevin Tilden, President  
California-American Water Company  
655 W. Broadway, Suite 1410  
San Diego, CA 92101

## Report on the Financial Statements

The Utility Audits Branch (UAB) of the California Public Utility Commission (CPUC) has reviewed the accompanying financial statements of California-American Water Company (CAWC)–Monterey Sewer District (CAWC–Monterey), which comprise the balance sheet as of December 31, 2021, and the related income statement and statement of retained earnings for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of CAWC–Monterey's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, UAB does not express such an opinion.

### *Management's Responsibility for the Financial Statements*

CAWC's management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting framework prescribed by CPUC's Uniform System of Accounts (USOA) for Water Utilities; this includes 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. In addition, CAWC's management is responsible for the development of its policies and procedures to ensure full compliance with applicable regulations and CPUC directives.

### *Accountant's Responsibility*

UAB's responsibility is to conduct the review engagement in accordance with the standards applicable to reviews of financial statements promulgated by the generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the accounting framework prescribed by the USOA. UAB conducted this review in compliance with the auditing standards of GAGAS, except for obtaining an external peer review within the required timeframe as discussed in the succeeding paragraph. We believe that the results of our procedures provide a reasonable basis for our conclusion.

UAB was unable to obtain an external peer review timely due to delays caused by the COVID-19 pandemic. However, this does not affect UAB's adherence to all other GAGAS requirements and our conclusion on this review engagement is not modified with respect to this matter.

We are required to be independent of CAWC–Monterey and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our reviews.

***Accountant’s Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the accounting framework prescribed by the USOA.

***Basis of Accounting***

For regulatory purposes, the CPUC adopted, through Decision (D.) 16-11-006 on November 10, 2016, the updated USOA, which is a comprehensive regulatory basis of accounting framework other than the generally accepted accounting principles (GAAP) in the United States of America. The CPUC requires all water and sewer utilities to prepare their financial statements in accordance with the accounting framework prescribed by the USOA. CAWC–Monterey’s financial statements were prepared based on this regulatory requirement.

We draw attention to Notes to the Financial Statements, in which we described the basis of accounting as well as the accounting differences between GAAP and the USOA. Our conclusion is not modified with respect to this matter.

***Other Matter–Views of Responsible Official***

UAB discussed the results of the review with CAWC representatives at the exit conference on January 4, 2023. At the exit conference, we stated that the final report will include the views of responsible officials. Because there were no audit findings requiring a response, we are issuing the report as final.

**Report on Other Regulatory Requirements**

For regulatory purposes, UAB also reviewed whether CAWC–Monterey complied with PU Code Section 818 to obtain its long-term debts, and whether CAWC–Monterey timely filed its 2021 Annual Report as required by CPUC’s Water Division. For the review period, UAB did not note any noncompliance with PU Code Section 818. In addition, CAWC–Monterey has timely filed its 2021 Annual Report in compliance with the CPUC directive from the Water Division.

***Restricted Use of This Review Report***

The purpose of this report is to summarize the results of the review mandated by PU Code Section 314.5. Accordingly, this review report is intended solely for the information and use by the CPUC and the management of CAWC–Monterey, and it is not suitable for any other purpose. It is not intended to be used and should not be used by anyone other than the specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record and will be available on the CPUC’s website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/Audit-Reports-by-Industry).

*Angie Williams*

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Angie Williams, Director  
Utility Audits, Risk and Compliance Division

Sacramento, CA  
January 30, 2023



## REVIEWED FINANCIAL STATEMENTS

### California-American Water Company–Monterey Sewer District Balance Sheet (As Reviewed) As of December 31, 2021

<b>ASSETS</b>	
<b>UTILITY PLANT</b>	
Sewer Plant in Service (see Note 2)	\$18,749,615
Construction Work in Progress – Sewer Plant	60,157
Sewer Plant Acquisition Adjustments	379,899
Accumulated Depreciation of Sewer Plant	(9,480,991)
<b>Net Utility Plant</b>	<u>9,708,680</u>
<b>CURRENT AND ACCRUED ASSETS</b>	
Accounts Receivable	203,563
Materials and Supplies	30,167
Other Current Assets	36,690
<b>Total Current and Accrued Assets</b>	<u>270,420</u>
Deferred Charges (see Note 6)	492,055
<b>Total Assets</b>	<u><u>\$10,471,155</u></u>
<b>CAPITALIZATION AND LIABILITIES</b>	
<b>CORPORATE CAPITAL AND SURPLUS</b>	
Retained Earnings (see Note 5)	\$4,559,873
<b>Total Capitalization</b>	<u>4,559,873</u>
<b>CURRENT AND ACCRUED LIABILITIES</b>	
Taxes Accrued	197,567
Other Current Liabilities	433,903
<b>Total Current and Accrued Liabilities</b>	<u>631,470</u>
<b>DEFERRED CREDITS</b>	
Other Credits	94,446
<b>Total Deferred Credits</b>	<u>94,446</u>
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>	
Contributions in Aid of Construction (see Note 4)	8,584,937
Accumulated Amortization of Contributions (see Note 4)	(3,399,571)
<b>Net Contributions in Aid of Construction</b>	<u>5,185,366</u>
<b>Total Equity and Liabilities</b>	<u><u>\$10,471,155</u></u>

*(See independent accountant's review report and accompanying notes.)*

California-American Water Company–Monterey Sewer District  
**Income Statement (As Reviewed)**  
 For Year Ended December 31, 2021

<b>OPERATING REVENUES</b>	
Unmetered Sewer Revenue	\$3,291,478
Other Sewer Revenue	167,956
<b>Total Operating Revenue</b>	<u>3,459,434</u>
<b>OPERATING EXPENSES</b>	
<b>Plant Operation and Maintenance Expenses</b>	
Power	281,826
Other Volume Related Expenses	495,332
Employee Labor	1,028,227
Materials	64,053
Contract Work	178,189
Transportation Expenses	140,986
Other Plant Maintenance Expenses	318
<b>Total Plant Operation and Maintenance Expenses</b>	<u>2,188,931</u>
<b>Administrative and General Expenses</b>	
Employee Pensions and Benefits	308,016
Uncollectible Accounts Expense	8,310
Office Services and Rentals	2,392
Office Supplies and Expenses	558
General Expenses	452,234
CAWC–Expense Allocation for Monterey Sewer	170,470
Clearing Accounts (Optional) - Corporate Allocated Return on Rate Base (Note 7)	18,534
<b>Net Administrative and General Expenses<sup>3</sup></b>	<u>941,980</u>
<b>Total Operating Expenses<sup>4</sup></b>	3,130,911
Depreciation Expense	223,977
Taxes Other Than Income Taxes	180,548
State Corporate Income Tax Expense	32,296
Federal Corporate Income Tax Expense	41,243
<b>Total Operating Revenue Deductions</b>	<u>3,608,975</u>
<b>Total Utility Operating Loss</b>	(149,541)
<b>OTHER INCOME AND DEDUCTIONS</b>	
Interest Expense (Income)	(277)
<b>Total Other (Income) and Deductions</b>	<u>(277)</u>
<b>Net Loss</b>	<u><u>\$(149,264)</u></u>

*(See independent accountant's review report and accompanying notes.)*

<sup>3</sup> Net Administrative and General Expenses does not foot due to the removal of \$18,534 of Corporate Allocated Return on Rate Base. See Note 7 to the Financial Statements.

<sup>4</sup> Total Operating Expenses does not foot due to the removal of \$18,534 of Corporate Allocated Return on Rate Base. See Note 7 to the Financial Statements.

California-American Water Company–Monterey Sewer District  
**Statement of Retained Earnings (As Reviewed)**  
For Year Ended December 31, 2021

<b>Retained Earnings, Beginning of Year</b>	\$4,020,335
<b>CREDITS:</b>	
CAWC adjustment between water and wastewater (Note 5)	688,802
<b>Total Credits</b>	<u>688,802</u>
<b>DEBITS:</b>	
Net Loss	149,264
<b>Total Debits</b>	<u>149,264</u>
<b>Retained Earnings, End of Year</b>	<u><u>\$4,559,873</u></u>

*(See independent accountant's review report and accompanying notes.)*

# California-American Water Company–Monterey Sewer District

## Notes to Financial Statements

Incorporated in California in 1965, CAWC is a subsidiary of American Water Works Company, Inc. CAWC is a Class A water utility that provides water and wastewater services throughout the State of California. CAWC–Monterey provides active and passive wastewater services to 2,474 active flat rate customer service connections<sup>5</sup> across eight tariff areas in its Central Division: Las Palmas, Pasadera, Carmel Valley Ranch, Indian Springs, White Oaks, Spreckels, Village Green, and Oak Hills.<sup>6</sup>

### **Significant Accounting Policies**

The financial statements of CAWC–Monterey were prepared on the basis of accounting set forth in the Uniform System of Accounts (USOA) for Water Utilities. Regulated sewer utilities are required to prepare their financial statements on accrual basis of accounting set forth USOA adopted in Decision (D.) 16-11-006 by the CPUC on November 10, 2016, which is a comprehensive basis of accounting other than the generally accepted accounting principles (GAAP) in the United States of America. The followings describe certain differences in accounting treatments between GAAP and USOA, the company’s current accounting practices, and its compliance with applicable regulation and CPUC directives.

#### **1. Purpose of Financial Information and Targeted Audience**

The objective of preparing financial statements in accordance with GAAP is to provide information that is useful in making decisions about providing resources to the entity. Users of the financial information include existing and potential investors, lenders, and other creditors.

The purpose of using the USOA to prepare financial statements is to have the utilities provide financial transparency of their water operations on a consistent basis. The primary user of the financial information is the CPUC for ratemaking and other compliance purposes.

#### **2. Property, Plant and Equipment**

The USOA distinguishes the plant assets for water operations (i.e., Account 101, Water Plant in Service) from those for non-water operations (i.e., Account 121, Non-Water Utility Property and Other Assets), for ratemaking purposes.

##### **(1) Depreciation Methodology**

GAAP allows entities to elect a depreciation methodology of their choices, such as straight-line, double-declining balance, or sum-of-the-years digits depreciation method.

The USOA requires utilities to use “Straight-line remaining life method.” “Remaining life” implies that estimates of future life and salvage value will be re-evaluated periodically and that depreciation rates will be adjusted to reflect any changes in estimates. Water utilities are required

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<sup>5</sup> CAWC–Monterey’s 2021 Annual Report, Schedule I Service Connections at End of Year, Page 19.

<sup>6</sup> CAWC Tariff Book, Rate Schedule No. SA – Active Sewer Service and Schedule No. SP – Passive Sewer Service.

to comply with the CPUC's Standard Practice (SP) U-4-SM and SP U-4-M when determining depreciation accruals. Specifically, for the water plant with over \$100,000, the utility must maintain separate depreciation reserve by different plant accounts in accordance with Appendix B1 of SP U-4-SM; for the water plant under \$100,000, if the utility elects not to separate or maintain the depreciation reserve by accounts, it is appropriate to develop a composite value for remaining life for the entire plant in accordance with Appendix B2 or B3 of SP U-4-SM. The USOA suggested that all utilities maintain a separate accumulated depreciation subaccount for each depreciable plant account; and it is mandatory for water utilities having more than 500 customers.<sup>7</sup> The utility must obtain prior written approval from the CPUC for any practice deviates from the aforementioned SPs. Sewer utilities are required to comply with the same requirements as the water utilities.

CAWC—Monterey uses the estimated straight-line remaining life depreciation method for each class of utility plant. CAWC—Monterey utilizes depreciation rates approved by the CPUC in D.21-11-018.

## **(2) Asset Retirement**

The USOA requires that water plant be recorded at original cost. In the USOA's depreciation schedule, the difference between the estimated cost of removal and the salvage value is included in the depreciable base to obtain the annual depreciation expense. When retiring an asset, the cost of removal will reduce the balance of Account 108, Accumulated Depreciation of Water Plant, while the cash received from the salvage value or sale price will increase the balance of Account 108, Accumulated Depreciation of Water Plant. The gain or loss from the asset retirement that is recognized under GAAP is accumulated in Account 108, Accumulated Depreciation of Water Plant under the USOA.

CAWC—Monterey retired assets totaling \$195,006 during 2021, primarily consisting of retirements of Pumping Equipment, Sewer Treatment Plant Equipment and Structures Equipment.<sup>8</sup>

## **(3) Sale and Acquisition of Properties**

Under GAAP, entities recognize gain or loss from disposal of properties and recognize goodwill or gain from a bargain purchase of other entities' segment or properties.

Under the USOA, no goodwill or gain is recognized from the sale or acquisition of a water system or unit, unless it's approved by the CPUC's decision. When the utility sells or purchases the water system or unit, the utility shall first record the transaction into a temperate Account 104, Water Plant Purchased or Sold. Within six months from the date of sale or date of acquisition, the utility shall file with the CPUC for approval of the proposed journal entries to clear this account. The difference between the net original cost of the assets acquired and the cost to the acquiring utility shall be charged or credited to Account 114, Water Plant Acquisition Adjustments.

CAWC—Monterey did not sell or acquire any properties during the review period.

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<sup>7</sup> D.16.11-006 dated November 10, 2016, General Accounting Instructions 4 on Page B14.

<sup>8</sup> CAWC—Monterey 2021 Annual Report Schedule A-1a page 8.

### **3. Inventory**

GAAP allows entities to use different methodologies, such as average cost, first-in-first-out, and last-in-first-out, for the valuation of inventory, which includes cost components of raw materials, work-in-process, and finished goods, etc.

Under the USOA, the inventory includes meters, materials and supplies. If identifiable, the inventory should be recorded at original cost, which includes transportation charges, sales and use taxes and other directly assignable costs. Items of small value whose original cost cannot be readily determined shall be recorded at current prices. Scrap materials shall be carried in inventory at estimated scrap value.

CAWC—Monterey reported an inventory balance of \$30,167 as of December 31, 2021, in Account 151—Materials and Supplies.

### **4. Contribution in Aid of Construction (CIAC)**

CIAC account records non-refundable contributions of cash, land or other property donated to the sewer utility to assist it in constructing, extending, or relocating its sewer system. The funds can be from governmental agencies and others. The balances in this account shall be written off over the period of its estimated service life by charging to Account 272, Accumulated Amortization of Contributions instead of a Depreciation Expense account, with contra credits to the appropriate subaccount of Account 108, Accumulated Depreciation of Sewer Plant.

CAWC—Monterey reported a CIAC balance of \$8,584,937, and an Accumulated Amortization of Contributions balance of \$3,399,571 as of December 31, 2021.

### **5. Retained Earnings**

CAWC—Monterey's Statement of Retained Earnings includes an adjustment of \$688,802. The Retained Earnings for CAWC is calculated at a total company level. CAWC does not calculate Retained Earnings at a district level. CPUC Annual Reports for sewer utilities require the Retained Earnings balance at a district level. CAWC annually computes CAWC—Monterey's Retained Earnings to adjust Retained Earnings between its Sewer and Water districts.

### **6. Authorized Costs and Revenues**

Under GAAP, regulated entities record recoverable costs authorized by the regulator as Regulatory Assets and amortize them over a period of time. Likewise, authorized revenues for future repayment are recorded as Regulatory Liabilities.

The USOA requires sewer utilities to record authorized costs that are to be amortized over future periods as an asset in Account 180, Deferred Charges. Similarly, authorized revenues for future repayment are recorded as liabilities in Account 253, Other Credits.

CAWC—Monterey's Regulatory Assets include \$166,281 in the Interim Rate Memorandum Account, \$253,650 in the Monterey Wastewater Consolidated Expense Balancing Account and \$184,553 in the Group Insurance Balancing Account. Additionally, CAWC—Monterey's Regulatory Liabilities include \$46,004 in the Other Post-Employment Benefits Balancing Account and \$66,099 in the



Low-Income Ratepayer Assistance Program Balancing Account. All the aforementioned items have been authorized by the Commission to be amortized over future periods in CPUC D.21-11-018.

## **7. Allocated Return on Rate Base**

In Schedule B of CAWC—Monterey’s Annual Report, CAWC—Monterey reported \$18,534 of CAWC—Monterey’s Corporate Allocated Return on Rate Base for informational purposes only. CAWC—Monterey’s Allocated Return on Rate base is not reported in its Income Statement.

## **8. Sewer Utility Users Fee**

PU Code Sections 401 through 410 authorized the CPUC to set a fee annually to sewer utilities to cover the costs incurred by the CPUC in regulating them. The USOA requires sewer utilities to credit regular operating revenue accounts with amounts of User Fees billed to customers and charge Account 688, Regulatory Commission Expense, with fees paid to the CPUC.<sup>9</sup>

CAWC—Monterey recorded CPUC Users Fees as a pass-through activity and timely remitted the Users Fee to the CPUC on a quarterly basis.

## **9. Form of Financial Statements**<sup>10</sup>

### **(1) Balance Sheet**

Unlike the financial statements of other industries, the financial statements of regulated sewer utilities present the sewer plant as the first major caption on the asset side of the balance sheet, and capitalization is first on the liability side. Current assets and current liabilities are relegated to a comparatively unimportant position in the center of the balance sheet, rather than being placed prominently as in statements for non-regulated industries.

### **(2) Income Statement**

The form of Income Statement reflects the classification of revenues and expenses in ratemaking. Operating revenues and expenses are referred to as “above the line” because they are allowable in ratemaking, and the result of deducting total operating expenses from total operating revenues is the operating income. Other Income and Deductions are referred to as “below the line” because they are applied after operating income and are not allowable in ratemaking. The “below the line” items include interest revenue, dividend income, other revenues that are from non-sewer utility operations and/or non-sewer utility properties, expenses that are unrelated to sewer utility operations, and interest expense (the interest expense is recovered through the authorized rate of return). The concept of “above the line” revenues and expenses being allowable in ratemaking affects the form of the income statement, the classification of revenues and expenses, and decisions of management in incurring expenses.

CAWC—Monterey correctly complied with this requirement by presenting its financial statements in the form of a balance sheet and income statement.

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<sup>9</sup> D.16.11-006 dated November 10, 2016, General Accounting Instructions 9 on Pages B18 and B19.

<sup>10</sup> Regulated Utilities Manual—A Service for Regulated Utilities by Deloitte & Touché USA LLP, pages 36-37.

## **10. Exclusion of Statement of Cash Flows**

Financial Accounting Standards Board specifies in its Statement of Financial Accounting Standards No. 95 that a Statement of Cash Flows is part of a complete set of financial statements under GAAP. However, Codification of Statements on Auditing Standards AU-C Section 800.A35 states, in part, that, “*Special purpose financial statements may not include a statement of cash flows....*” Since the USOA is an accounting framework other than GAAP for regulatory purpose, the Statement of Cash Flows is not required and therefore excluded from this review report.

## **11. Compliance filing of 2021 Annual Report with the CPUC**

PU Code Sections 581, 582, and 584, and the CPUC’s directive (i.e., Water Division’s annual memorandum to water and sewer utilities) require all regulated water and sewer IOUs to file an Annual Report with the CPUC every year. For the year being reviewed, CAWC–Monterey has complied with these requirements.