



California Public Utilities Commission
Division of Water and Audits

**Financial Audit of
Geyserville Water Works
Financial Statements**

For the Years Ended December 31, 2013 and 2014

September 18, 2015



Acknowledgement

**The following Commission Staff contributed to the completion of this audit report:
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For the Years Ended December 31, 2013 and 2014**

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PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

**Independent Auditor's Report**

The Utility Audit, Finance and Compliance Branch (UAFCB) of the California Public Utilities Commission (Commission) has audited the accompanying financial statements of Geyserville Water Works (GWW), which comprise the statement of financial position – modified cash basis as of December 31, 2013 and 2014 and the related statements of activities and changes in net income – modified cash basis for the years then ended.

GWW Water Company's management is responsible for the preparation and fair presentation of the financial statements presented in the 2013 and 2014 annual reports filed with the Commission, in accordance with the modified cash basis of cash receipts and disbursements described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.

The responsibility of the UAFCB is to express an opinion on GWW's financial statements as a whole based on its 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. Accordingly, the audit included examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The UAFCB believes that its audit provides a reasonable basis for an opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than the Uniform System of Accounts for Class B, C and D water utilities and other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of GWW Water Company as of December 31, 2013 and 2014, and its statements of activities and changes in net income – modified cash basis for the years then ended, on the basis of accounting described in Note 1.

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

Bernard Ayanruoh, CPA
Program and Project Supervisor
Utility Audit, Finance and Compliance Branch

**Audit of Financial Statements of
Geyserville Water Works
For the Years Ended December 31, 2013 and 2014**

Audited Statement of Financial Position – Modified Cash Basis

	As of December 31 for the Year	
	2014	2013
ASSETS		
UTILITY PLANT		
Water Plant in Service (Note 1)	\$1,606,035	\$1,601,539
Accumulated Depreciation of Water Plant (Note 1)	<u>(636,216)</u>	<u>(594,576)</u>
Net Utility Plant	969,819	1,006,963
CURRENT AND ACCRUED ASSETS		
Cash	51,334	44,137
Special Deposits	<u>132,661</u>	<u>131,288</u>
Total Current Assets	183,995	175,425
Total Assets	<u>\$1,153,814</u>	<u>\$1,182,388</u>
OWNERS EQUITY AND LIABILITIES		
LONG-TERM LIABILITIES		
Other Credits	<u>132,661</u>	<u>131,288</u>
Total Long-Term Liabilities	132,661	131,288
CONTRIBUTION IN AID OF CONSTRUCTION		
Contribution in Aid of Construction (Note 2)	664,955	664,955
Accumulated Amortization of Contributions (Note 2)	<u>(331,734)</u>	<u>(314,445)</u>
Net Contribution in Aid of Construction	333,221	350,510
PROPRIETARY CAPITAL		
Proprietary Capital (Note 1)	<u>687,932</u>	<u>700,590</u>
Total Owners' Equity and Liabilities	<u>\$1,153,814</u>	<u>\$1,182,388</u>

The accompanying notes and the Summary of Audit Adjustments are an integral part of these Financial Statements

Audited Statement of Activities and Changes in Net Income – Modified Cash Basis

	For the Year of	
	2014	2013
OPERATING REVENUES		
Unmetered Water Revenue	\$21,127	\$20,794
Metered Water Revenue	<u>133,854</u>	<u>144,565</u>
Total Operating Revenues	154,981	165,359
OPERATING EXPENSES		
Plant Operation and Maintenance Expenses		
Power	9,913	12,475
Other Volume Related Expenses	3,865	5,519
Contract Work	20,512	15,707
Transportation Expense	6,300	6,120
Other Plant Maintenance Expenses	<u>195</u>	<u>2,195</u>
Total Plant Operation and Maintenance Expense	40,785	42,016
Administrative and General Expenses		
Office Salaries	30,600	29,700
Management Salaries	35,000	33,000
Uncollectible Accounts Expense	1,246	639
Office Services and Rentals	5,160	4,980
Office Supplies and Expenses	7,406	6,639
Professional Services	1,254	0
Regulatory Commission Expense	4,404	2,506
Insurance	4,029	4,029
General Expenses	<u>2,076</u>	<u>2,004</u>
Total Administrative and General Expenses	91,175	83,497
Depreciation Expense (Note 1)	24,351	24,222
Taxes Other Than Income Taxes	2,438	2,846
Total Operating Revenue Deductions	<u>158,749</u>	<u>152,581</u>
Total Utility Operating Income (Loss)	(3,768)	12,778
Non-Utility Income (Note 1)	14	10
Miscellaneous Non-Utility Expense	<u>(978)</u>	<u>(1,536)</u>
Total Other Income and Deductions	<u>(964)</u>	<u>(1,526)</u>
Net Income/Loss (Change in Net Assets)	<u>\$<u>(4,732)</u></u>	<u>\$<u>11,252</u></u>

(The accompanying notes and the Summary of Audit Adjustments are an integral part of these Financial Statements)

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The summary of significant accounting policies of Geyserville Water Works (GWW) (a modified cash basis Class D Water Utility) is presented to assist in understanding GWW's financial statements. The financial statements and notes are the representation of GWW's ownership (management) who is responsible for the integrity and objectivity of the financial statements.

Nature of Operations

Geyserville Water Works (GWW) is a sole proprietary business in the State of California. GWW is a Class D water utility. GWW's service territory is located along Highway 101 North and is primarily residential with a limited commercial area. GWW is owned by Harry Bosworth, and the acquisition of GWW was approved by the California Public Utilities Commission (Commission) on September 19, 1978, in Decision (D.) 89400. For 2013, GWW has 307 active connections; 271 connections are metered and 36 connections are flat-rate customers. For 2014, GWW has 312 active connections; 275 connections are metered and 37 connections receive flat-rate services.

Basis of Accounting

GWW has prepared the accompanying Balance Sheets and Income Statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than the Uniform System of Accounts (USOA) or Generally Accepted Accounting Principles (GAAP). The basis of presentation differs from USOA or accounting principles generally accepted in the United States of America in that certain revenues are recognized when received rather than when earned and certain expenses as well as purchase of assets are recognized when paid rather than when the obligation is incurred. Consequently, no provision has been made for accounts receivable, accounts payable and other accruals of income, expense, assets, or liabilities. However, similar to financial statements prepared in accordance with USOA and GAAP, these financial statements reflect the capitalized cost of property and equipment and related depreciation.

(a) Water Plant

Utility plant is recorded at original cost when it is constructed or purchased. No assets were retired in 2013 and 2014.

(b) Depreciation expense

Depreciation is computed on a straight line basis using a composite rate of 2.6% to depreciate all of its plant assets for financial reporting.

(c) Proprietary Capital

GWW has incorrectly recorded its reported net income in 2013 and 2014 to Other Current Assets accounts. It should instead record net income in its Proprietary Capital account. UAFCB readjusted Proprietary Capital in both years to reflect the adjustments.

(d) State and Federal Corporate Income Tax Expenses

GWW is a sole proprietorship. State and Federal Corporate Income Tax Expense should be paid and reported by the owner and not the business.

(e) Non-Utility Income

Non-Utility income consists primarily of the GWW's interest income earned on its bank accounts.

(2) Contribution 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 properties has been completely amortized.

(3) Annual Reports

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

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