



**California Public Utilities Commission**  
*Utility Audit, Finance and Compliance Branch*

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

**December 12, 2016**



## Acknowledgement

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

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

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**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298**Report of Independent Auditors**

Jon Norby, President  
Central Camp Water Company Inc. (CCWC)  
P.O. BOX 155,  
North Fork, CA 93643

**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 Central Camp Water Company (CCWC), 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**

CCWC'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 misstatements, whether due to fraud or error.

**Auditor's Responsibility**

The responsibility of the UAFCB is to express an opinion on CCWC'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 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 Central Camp 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 the Retained Earnings account as of December 31, 2015 and 2014. Therefore, UAFCB does not express any opinion on this balance.

### **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 CCWC 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 Central Camp Water Company. It should not be used by anyone other than the specified parties.



Raymond Yin, CFA  
Program and Project Supervisor  
Utility Audit, Finance and Compliance Branch

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

**Balance Sheets**

	<b>As of December 31 for the Year</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>UTILITY PLANT</b>		
Water Plant in Service (Excluding SDWBA) (Note 1)	\$109,875	\$79,889
Water Plant in Service - SDWBA	94,500	94,500
Accumulated Depreciation of Water Plant (Note 1)	(37,919)	(36,983)
Accumulated Amortization of SDWBA Loan	<u>(94,500)</u>	<u>(89,775)</u>
<b>Net Utility Plant</b>	71,956	47,631
<b>INVESTMENT</b>		
Non-water Utility Property and Other Assets	14,145	14,145
Accumulated Depreciation of Non-water Utility Property	<u>(11,684)</u>	<u>(11,493)</u>
<b>Total Investments</b>	2,461	2,652
<b>CURRENT AND ACCRUED ASSETS</b>		
Cash	316	35,208
Accounts Receivable - Customers	1	841
Other Current Assets	<u>9,210</u>	<u>461</u>
<b>Total Current Assets</b>	9,527	36,510
<b>Total Assets</b>	<u>\$83,944</u>	<u>\$86,793</u>
 <b>CAPITALIZATION AND LIABILITIES</b>		
<b>CORPORATE CAPITAL AND SURPLUS</b>		
Common Stock	\$5,905	\$5,905
Other Paid-in Capital	27,974	27,974
Retained Earnings	<u>48,606</u>	<u>51,802</u>
<b>Total Capitalization</b>	82,485	85,681
<b>CURRENT AND ACCRUED LIABILITIES</b>		
Accounts Payable	<u>1,459</u>	<u>1,112</u>
<b>Total Capitalization and Liabilities</b>	<u>\$83,944</u>	<u>\$86,793</u>

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

## Income Statements

	For the Year of	
	2015	2014
<b>OPERATING REVENUES</b>		
Unmetered Water Revenue	\$22,173	\$22,173
Other Water Revenue	<u>100</u>	<u>0</u>
<b>Total Operating Revenues (Note 1)</b>	22,273	22,173
<b>OPERATING EXPENSES</b>		
<b>Plant Operation and Maintenance Expenses</b>		
Power	1,203	1,311
Employee Labor	2,205	1,670
Materials	1,246	180
Contract Work	4,044	618
Transportation Expenses	<u>710</u>	<u>426</u>
<b>Total Plant Operation and Maintenance Expense</b>	9,408	4,205
<b>Administrative and General Expenses</b>		
Management Salaries	2,400	2,400
Uncollectible Accounts Expense	929	0
Office Services and Rentals	31	0
Office Supplies and Expenses	486	535
Professional Services	400	400
Insurance	2,268	2,246
Regulatory Commission Expense	328	328
General Expenses	<u>94</u>	<u>0</u>
<b>Total Administrative and General Expenses</b>	6,936	5,909
<b>Total Operating Expenses</b>	16,344	10,114
Depreciation Expense (Note 1)	2,398	1,498
SDWBA Loan Amortization Expense	4,725	4,725
Taxes Other Than Income Taxes	1,144	1,116
State Corporate Income Tax Expense	<u>800</u>	<u>800</u>
<b>Total Operating Revenue Deductions</b>	25,411	18,253
<b>Total Utility Operating Income (Loss)</b>	(3,138)	3,920
Interest Expense	<u>(3)</u>	<u>(2)</u>
<b>Total Other Income and Deductions</b>	(3)	(2)
<b>Net Income/(Loss)</b>	<u>(\$3,141)</u>	<u>\$3,918</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
<b>Retained Earnings, Beginning of Year</b>	\$51,802	\$22,540
<b>CREDITS:</b>		
Net Income	0	3,918
UAFCB Adjustment to include Organizational Cost in Water Plant	1,471	1,471
UAFCB Adjustment to Accumulated Depreciation	21,570	20,108
UAFCB Adjustment to Accumulated Amortization	2,946	2,946
UAFCB Adjustment to Water Plant in Service	6,852	0
UAFCB Adjustment to SDWBA Loan Amortization Expense	0	1,287
UAFCB Cumulative Adjustment to Beginning Balance <sup>1</sup>	<u>0</u>	<u>2,617</u>
<b>Total Credits</b>	32,839	32,347
<b>DEBITS:</b>		
Net Loss	(3,141)	0
UAFCB Cumulative Adjustment to Beginning Balance <sup>2</sup>	(31,074)	0
UAFCB Adjustment to Retire Plant	(1,820)	(1,820)
UAFCB Adjustment to Depreciation Expense	<u>0</u>	<u>(1,265)</u>
<b>Total Debits</b>	(36,035)	(3,085)
<b>Retained Earnings, End of Year</b>	<u>\$48,606</u>	<u>\$51,802</u>

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

<sup>1</sup> This amount represents the cumulative adjustments to the reported beginning balance of Retained Earnings as of January 1, 2014. Detailed computation is shown below:

Retained Earnings as of 12/31/2013 - As Reported	(\$22,540)
Net Loss as of 12/31/14 - As Reported	<u>2,912</u>
Retained Earnings as of 12/31/2014 - Based on Reported Loss	(19,628)
Retained Earnings as of 12/31/2014 - As Reported	<u>22,245</u>
UAFCB Cumulative Adjustments to 1/1/2014 Beginning Balance	<u>\$2,617</u>

<sup>2</sup> 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 Reported	\$22,245
Adjustment to Reported Retained Earnings as of 12/31/2014	<u>(1,517)</u>
Retained Earnings as of 12/31/2015 - Based on Reported Amounts	20,728
Retained Earnings as of 12/31/2014 - As Computed	<u>(51,802)</u>
UAFCB Cumulative Adjustments to 1/1/2015 Beginning Balance	<u>(\$31,074)</u>



## Statements of Cash Flows

	For the Year of	
	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	(\$3,141)	\$3,918
<b>Adjustments to Reconcile Net Income to Cash Provided by Operating Activities</b>		
Depreciation <sup>3</sup>	936	(22,350)
Amortization <sup>4</sup>	4,725	492
Decrease (Increase) in Accounts Receivable - Customers	840	(839)
Decrease (Increase) in Other Current Assets	(8,749)	0
Increase (Decrease) in Accounts Payable	347	(11)
Increase (Decrease) in Short-term Notes Payable	<u>0</u>	<u>(10,000)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>(5,042)</b>	<b>(28,790)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net Plant Additions	(29,986)	(1,498)
Depreciation of Non-water Utility Property	191	213
UAFCB Cumulative Adjustments to Retained Earnings <sup>5</sup>	<u>(55)</u>	<u>25,344</u>
<b>Net Cash Used for Investing Activities</b>	<b>(29,850)</b>	<b>24,059</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Other Paid-in Capital	<u>0</u>	<u>10,000</u>
<b>Net Cash Used for Financing Activities</b>	<b>0</b>	<b>10,000</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(34,892)</b>	<b>5,269</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b><u>35,208</u></b>	<b><u>29,939</u></b>
<b>CASH AT END OF YEAR</b>	<b><u>\$316</u></b>	<b><u>\$35,208</u></b>

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

<sup>3</sup> For Statements of Cash Flows purpose, UAFCB included \$936 and excluded \$22,350 of Depreciation Expense for Years 2015 and 2014, respectively.

<sup>4</sup> For Statements of Cash Flows purpose, UAFCB included \$4,725 and \$492 of SDWBA Loan Amortization Expense for Years 2015 and 2014, respectively.

<sup>5</sup> For Year 2015, the total UAFCB adjustment of \$55 to Retained Earnings was presented in the 2015 Summary of Audit Adjustments. For Year 2014, the total UAFCB debit adjustment of \$25,344 to Retained Earnings was presented in the 2014 Summary of Audit Adjustments.

## Notes to Financial Statements

### (1) Summary of Significant Accounting Policies

Central Camp Water Company (CCWC) is a Class D water utility. CCWC is a family owned and operated water utility since 1937, and was incorporated during June 1993. CCWC provides flat rate water service to approximately 77 residences (on a seasonal basis) in the vicinity of eastern Madera County, Central Camp area. Additionally, CCWC provides sewer service to these residences even though it has never obtained a Certificate of Public Convenience and Necessity (CPCN) from the Commission to operate as a sewer system company.

The Company has prepared the accompanying financial statements on the basis of accounting set forth in the Uniform System of Accounts for Water Utilities adopted and prescribed by the California Public Utilities Commission (the CPUC or 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 UAFCB's audit adjustments for Years 2015 and 2014, respectively. Appendix C and Appendix D summarize the detail UAFCB audit adjustments for Years 2015 and 2014, 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 based on cost to place item into operation, and charged against accumulated depreciation.

#### (c) Depreciation of Water Plant

Depreciation was computed based on Department of Treasury rules for taxes. This basis is not consistent with the USOA rules. USOA – General Instructions, Section 4 states in part: Depreciation charges shall be computed using the straight-line remaining life method, and composite depreciation rates.

**(d) Revenues**

CCWC revenue is derived mainly from flat rate service to its customers. CCWC computed its water revenues based on tariffs approved by the Commission.

**(e) Retained Earnings**

UAFCB could not attest to the accuracy of the Retained Earnings balances due to the lack of historical information. 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) Annual Reports**

Per California Public Utilities Code, Sections 581, 582, and 584, CCWC is required to file an annual report with the Commission every year. For the years being audited, CCWC 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
<b><u>Net Financial Impact on Balance Sheets Items:</u></b>							
1,2	A	1	4	101	Water Plant in Service	\$1,498	
2,4,8,9	A	8	4	108	Accumulated Depreciation of Water Plant	26,466	
5	A	18	4	141	Accounts Receivable - Customers		\$2,064
1,2,4,6,9	A	30	4	215	Retained Earnings		51,661
6	A	31	4	218	Proprietary Capital	20,642	
7	A	29	4	211	Other Paid-in Capital		10,000
<b><u>Net Financial Impact on Income Statements Items:</u></b>							
8	F	32	4	403	Depreciation Expense		\$1,462
9	F	33	4	407	SDWBA Loan Amortization Expense	\$4,517	

## 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
<b><u>Net Financial Impact on Balance Sheets Items:</u></b>							
1,2,3	A	1	4	101	Water Plant in Service	\$1,498	
2,4,5	A	8	4	108	Accumulated Depreciation of Water Plant	28,059	
2,3,4,5,7	A	30	4	215	Retained Earnings	22,727	
6	A	29	4	211	Other Paid-in Capital		\$10,000
<b><u>Net Financial Impact on Income Statements Items:</u></b>							
1	F	18	4	650	Contract Work		\$6,852
7	F	32	4	403	Depreciation Expense		1,265
8	F	33	4	407	SDWBA Loan Amortization Expense	\$1,287	

## 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	\$6,852	
	A	30	4	215	Retained Earnings		\$6,852
					<i>To reclassify Water Plant in Service to agree with the audited amount.</i>		
2	A	8	4	108	Accumulated Depreciation of Water Plant	\$5,005	
	A	30	4	215	Retained Earnings	1,820	
	A	1	4	101	Water Plant in Service		\$6,825
					<i>To record water pump retirement to agree with the audited amount.</i>		
3	A	1	4	101	Water Plant in Service	\$1,471	
	A	30	4	215	Retained Earnings		\$1,471
					<i>To reclassify Water Plant in Service to agree with the audited amount.</i>		
4	A	8	4	108	Accumulated Depreciation of Water Plant	\$21,570	
	A	30	4	215	Retained Earnings		\$21,570
					<i>To reclassify accumulated depreciation to agree with the audited amount.</i>		
5	A	22	4	174	Other Current Assets	\$2,064	
	A	18	4	141	Accounts Receivable - Customers		\$2,064
					<i>To reclassify other than customers' receivable to agree with the audited amount.</i>		
6	A	31	4	218	Proprietary Capital	\$20,642	
	A	30	4	215	Retained Earnings		\$20,642
					<i>To reclassify Proprietary Capital to agree with the audited amount.</i>		
7	A	34	4	232	Short-term Notes Payable	\$10,000	
	A	29	4	211	Other Paid-in Capital		\$10,000
					<i>To reclassify Short-term Notes Payable to agree with the audited amount.</i>		

Financial Audit of Central Camp Water Company Financial Statements  
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Audit Adj. No.	Annual Report				Description	For the Year 2015	
	Sch.	Line	Col.	Acct No.		Debit	Credit
8	A	8	4	108	Accumulated Depreciation of Water Plant	\$1,462	
	F	32	4	403	Depreciation Expense		\$1,462
					<i>To reclassify Depreciation Expense to agree with the audited amount.</i>		
9	F	33	4	407	SDWBA Loan Amortization Expense	\$4,517	
	A	30	4	215	Retained Earnings		\$2,946
	A	9	4	108.1	Accumulated Amortization of SDWBA Loan		1,571
					<i>To record SDWBA Loan Amortization Expense to agree with the audited amount.</i>		

## 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	\$6,852	
	F	18	4	650	Contract Work		\$6,852
					<i>To reclassify Water Plant in Service to agree with the audited amount.</i>		
2	A	8	4	108	Accumulated Depreciation of Water Plant	\$5,005	
	A	30	4	215	Retained Earnings	1,820	
	A	1	4	101	Water Plant in Service		\$6,825
					<i>To record water pump retirement to agree with the audited amount.</i>		
3	A	1	4	101	Water Plant in Service	\$1,471	
	A	30	4	215	Retained Earnings		\$1,471
					<i>To reclassify Water Plant in Service to agree with the audited amount.</i>		
4	A	8	4	108	Accumulated Depreciation of Water Plant	\$20,108	
	A	30	4	215	Retained Earnings		\$20,108
					<i>To reclassify accumulated depreciation to agree with the audited amount.</i>		
5	A	9	4	108.1	Accumulated Amortization of SDWBA Loan	\$2,946	
	A	30	4	215	Retained Earnings		\$2,946
					<i>To reclassify SDWBA Loan Accumulated Amortization to agree with the audited amount.</i>		
6	A	34	4	232	Short-term Notes Payable	\$10,000	
	A	29	4	211	Other Paid-in Capital		\$10,000
					<i>To reclassify Short-term Notes Payable to agree with the audited amount.</i>		
7	A	30	4	215	Retained Earnings	\$1,265	
	A	32	4	403	Depreciation Expense		\$1,265
					<i>To reclassify Depreciation Expense to agree with the audited amount.</i>		
8	F	33	4	407	SDWBA Loan Amortization Expense	\$1,287	
	A	30	4	215	Retained Earnings		\$1,287
					<i>To record SDWBA Loan Amortization Expense to agree with the audited amount.</i>		