REVIEW OF FINANCIAL STATEMENTS

Mayacama Golf Club, LLC

For the Year Ended December 31, 2021

Utility Audits, Risk and Compliance Division
Utility Audits Branch
June 26, 2023

MEMBERS OF THE TEAM

Angie Williams, Director

Masha Vorobyova, Assistant Director

Raymond Yin, CPA
Program and Project Supervisor

Khusbindar Kaur, CPA
Lead

Judith Mason
Staff

A digital copy of this report can be found at:
[Audit Reports by Industry (ca.gov)]

You can contact our office at:
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STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Transmitted via e-mail

June 26, 2023

Mr. Jonathan Wilhelm
Managing Partner
Mayacama Golf Club, LLC
525 Mayacama Club Drive
Santa Rosa, CA 95403

Dear Mr. Wilhelm:

Final Report Transmittal Letter—Review of Mayacama Golf Club, LLC'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 Mayacama Golf Club, LLC (MGC) 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.

UAB provided a draft review report to MGC for comments on June 9, 2023. MGC responded in a letter dated June 22, 2023, and it agreed with UAB's findings. We will post the final review report on our website at Audit Reports by Industry (ca.gov).

Please provide a Corrective Action Plan (CAP) addressing the findings and recommendations by August 10, 2023. The CAP should include specific steps and target dates to correct the findings identified. Please submit the CAP to the UAB at UtilityAudits@cpuc.ca.gov, with a copy to Bruce DeBerry, Program Manager of Water Division, at Bruce.DeBerry@cpuc.ca.gov.

We appreciate MGC's assistance and cooperation during the engagement, and your willingness to implement corrective actions. 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: See next page

cc: Geoff Gomes, Controller, MGC
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 DeBerry, Program Manager, Water Division, CPUC
Raymond Yin, Program and Project Supervisor, UAB, CPUC
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Judith Mason, Financial Examiner IV, UAB, CPUC

TABLE OF CONTENTS

EXECUTIVE SUMMARY 1
INDEPENDENT ACCOUNTANT'S REVIEW REPORT 4
REVIEWED FINANCIAL STATEMENTS 8
Balance Sheet (As Reported) 8
Income Statement (As Reported) 9
Statement of Retained Earnings (As Reported) 10
Notes to Financial Statements 11
APPENDIX A—REVIEW FINDINGS AND RECOMMENDATIONS 18
APPENDIX B—UTILITY'S RESPONSE 36

EXECUTIVE SUMMARY

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a review of the financial statements of Mayacama Golf Club, LLC. (MGC) 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 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 the State of Delaware on June 16, 1999,[1] MGC operates a private golf club and fractional real estate community in the City of Santa Rosa in Sonoma County, California.[2] In Decision (D.) 03-08-056, dated August 21, 2003, CPUC authorized MGC to operate a public sewer system. MGC provides sewer services to 21 single-family cottage units[3], 20 short-term residential units (casitas)[4] and its Golf Club Facility[4] in Santa Rosa, California. As a regulated sewer utility, MGC is required to prepare its financial statements on accrual basis of accounting set forth in the Uniform System of Accounts (USOA) adopted in D.16-11-006 by the CPUC on November 10, 2016, which is a comprehensive regulatory basis of accounting framework 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 MGC 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 January 20, 2022.

Based on our review, due to the significance of matters described in the succeeding paragraphs and in the Basis for Adverse Conclusion paragraph in the Independent Accountant's Review Report, the financial statements in MGC's 2021 Annual Report filed with the CPUC's Water Division on January 19, 2023, are not in accordance with the regulatory basis of accounting framework prescribed by the USOA. For the review period, UAB did not note any noncompliance with PU Code Section 818; however, MGC did not file its 2021 Annual Report timely as required by the directives from the CPUC's Water Division. UAB identified eight material misstatements in MGC's Annual Report originally filed with the CPUC's Water Division on January 19, 2023, and three noncompliance with CPUC directives as described in Appendix A–Review Findings and Recommendations. These findings and noncompliance issues are summarized below:

[1] MGC's 2021 Annual Report, General Information, Page 4
[2] CPUC Decision 03-08-056, Page 1
[3] MGC's 2021 Billing Register
[4] MGC's 2021 Annual Report, Schedule I - Service Connections at End of Year, Page 19

- Finding 1: MGC overbilled its single-family cottage units by approximately $51,174 between 2007 and 2021 because it increased its tariff rates without obtaining proper approval from the CPUC.

- Finding 2: MGC's reported ending Retained Earnings balance of $6,201,235 is materially misstated in its 2021 Annual Report. MGC reported a deficit Retained Earnings balance of $1,317,127 as of December 31, 2020; a net loss of $120,775 in its 2021 Annual Report; and did not report any accounting adjustments. If computed correctly, MGC should have reported an ending deficit Retained Earnings balance of $1,437,902 as of December 31, 2021. However, MGC reported an ending surplus Retained Earnings balance of $6,201,235 as of December 31, 2021, resulting in a discrepancy of $7,639,137.

- Finding 3: MGC could not provide adequate supporting documents to substantiate the reported balance of $4,805,000 in Account 101–Sewer Plant in Service (SPIS) in its 2021 Annual Report. The beginning SPIS balance in MGC's 2021 Annual Report of $4,805,000 did not agree with the prior year (2020) ending balance of $3,227,143, resulting in a discrepancy of $1,577,857. In addition, MGC's depreciation schedule showed a balance of $4,233,623 for the SPIS account while the reported amount in its 2021 Annual Report is $4,805,000, resulting in a discrepancy of $571,377. Furthermore, the net amount of acquisition, additions, and disposals of SPIS in MGC's depreciation schedule is $3,651,223, which is $582,400 less than the total amount of $4,233,623 in the depreciation schedule. Due to the significant discrepancies noted for SPIS between MGC's 2021 Annual Report and its depreciation schedule, and errors in the depreciation schedule, UAB determined that the reported $4,805,000 SPIS balance is unsupported and unreliable.

- Finding 4: MGC erroneously reported a balance of $1,396,235 in Account 101.1–SPIS–Safe Drinking Water Bond Act (SDWBA)/State Resources Fund (SRF) in its 2021 Annual Report. MGC has never received a loan from the California Department of Water Resources (DWR) to finance its SPIS.

- Finding 5: MGC omitted reporting material balances for Account 231–Accounts Payable, Account 141–Accounts Receivable–Customers, Account 108–Accumulated Depreciation, Account 403–Depreciation Expense, and Account 211–Other Paid-in Capital in its 2021 Annual Report as described in Finding 5 in Appendix A of this report.

- Finding 6: MGC's reported balance of $90,000 in Account 401–Operating Expenses is materially misstated in its 2021 Annual Report because: (1) MGC reported $78,000 of expenses in Account 650–Contract Work in its Annual Report, which does not agree with $91,560 shown in MGC's Detailed General Ledger History Report for its contractor; (2) MGC has not developed an allocation methodology to allocate insurance expenses between its sewer operations and other operations; (3) MGC reported an unsubstantiated balance of $2,000 in Account 689–General Expenses; and (4) MGC misclassified $30,000 of SWRCB wastewater permit fees in Account 408–Taxes Other than Income Taxes instead of reporting it in Account 688–Regulatory Commission Expense.

- Finding 7: MGC's reported balance of $40,508 in Account 460–Unmetered Sewer Revenue is materially misstated in its 2021 Annual Report because its Billing Register only supports

$36,056, resulting in a discrepancy of $4,452. MGC also understated its Unmetered Sewer Revenue by $26,924 in 2021 and $457,713 between 2004 and 2020 because it did not charge its Golf Club Facility for sewer services. In addition, MGC understated its 2021 Unmetered Sewer Revenue by $7,135 because it did not charge its short-term residential units (20 casitas) for sewer services.

- Finding 8: MGC reported $41,284 of property tax expense in Account 408–Taxes Other than Income Taxes in its 2021 Annual Report. However, MGC could not fully explain and justify the methodology it used to allocate property taxes to its sewer operations.

- Finding 9: MGC failed to remit CPUC Users Fee to the CPUC since it started providing regulated sewer services to its customers in 2004. Based on the 2021 CPUC Users Fees rate of 1.43 percent, MGC should have billed its customers approximately $516 and remitted the amount to the CPUC for 2021. UAB was unable to determine the total CPUC Users Fee that MGC owes to the CPUC from 2004 through 2020 because making such a determination would require us to obtain additional information and perform extensive analyses going beyond the scope of this engagement.

- Finding 10: MGC did not comply with the CPUC's Annual Report filing requirement because it did not timely file its 2021 Annual Report. CPUC Water Division's Memorandum dated January 20, 2022, requires that all water and sewer utilities file their 2021 Annual Reports with the CPUC by April 30, 2022. MGC did not file its Annual Report until January 19, 2023, without obtaining the approval from the CPUC Water Division for a filing extension.

- Finding 11: MGC's accounting system does not allow it to readily segregate activities related to its sewer operations. MGC's 2021 Working Trial Balance (WTB) and General Ledger (G/L) recorded account balances at a company-wide level. MGC has not developed a reporting mechanism to accurately summarize account balances related only to its sewer operations. MGC also does not utilize the chart of accounts prescribed by the USOA to record transactions relating to its sewer operations.

UAB discussed the above findings with MGC's management during fieldwork. MGC's management concurred with the findings. UAB further discussed these findings with MGC's management at the exit conference on May 23, 2023, and MGC concurred with the review results. Due to the significance of the matters described above and in the Basis for Adverse Conclusion paragraph in the Independent Accountant's Review Report, we concluded that the financial statements in the MGC's 2021 Annual Report originally filed with the CPUC on January 19, 2023, are not in accordance with the regulatory basis of accounting framework prescribed by the USOA. Had we been engaged to perform an audit, other matters might have come to our attention. UAB provided a draft review report to MGC for comments on June 9, 2023. MGC responded in a letter dated June 22, 2023, that it agreed with UAB's findings. MGC's response is presented in Appendix B of this report. The review findings and recommendations presented in this report represent our final determination of this review engagement.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Jonathan Wilhelm
Managing Partner
Mayacama Golf Club, LLC
525 Mayacama Club Drive
Santa Rosa, CA 95403

Report on the Financial Statements

The Utility Audits Branch (UAB) of the California Public Utility Commission (CPUC) has reviewed the accompanying financial statements of Mayacama Golf Club, LLC. (MGC), which comprise the balance sheet as of December 31, 2021, and the related statement of income and retained earnings for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of MGC'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

MGC'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, MGC'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 MGC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our reviews.

Basis for Adverse Conclusion

As disclosed in Notes 2 through 10, MGC's financial statements include misstatements that are material and pervasive due to lack of adequate supporting documentation, prevalent accounting and reporting errors, and omissions of material account balances.

MGC overbilled its single-family cottage units by approximately $8,588 in 2021 and cumulatively by $51,174 between 2004 and 2021, resulting in a materially misstated Unmetered Water Revenue and Retained Earnings.

MGC reported an ending Retained Earnings balance of $6,201,235 that is materially misstated. MGC reported a deficit Retained Earnings balance of $1,317,127 as of December 31, 2020; a net loss of $120,775 in its 2021 Annual Report; and did not report any accounting adjustments. If computed correctly, MGC should have reported an ending deficit Retained Earnings balance of $1,437,902 as of December 31, 2021. Therefore, this accounting error resulted in a noted discrepancy of $7,639,137.

MGC did not provide adequate supporting documentation to substantiate the balance of $4,805,000 in Account 101–Sewer Plant in Service.

MGC erroneously reported a balance of $1,396,235 in Account 101.1–SPIS–Safe Drinking Water Bond Act (SDWBA)/State Resources Fund (SRF).

MGC omitted reporting material balances for Account 231–Accounts Payable, Account 141–Accounts Receivable–Customers, Account 108–Accumulated Depreciation, Account 403–Depreciation Expense, and Account 211–Other Paid-in Capital.

MGC's reported Operating Expenses are materially misstated due to the following accounting errors:

- MGC reported $78,000 of expenses in Account 650–Contract Work in its Annual Report, which does not agree with the amount of $91,560 shown in MGC's Detailed General Ledger History Report for its contractor;

- MGC has not developed an allocation methodology to allocate the insurance expense shared between its sewer operations and other operations;

- MGC erroneously reported $2,000 of unsubstantiated expense in Account 689–General Expenses.

- MGC misclassified $30,000 of SWRCB wastewater permit fees in Account 408–Taxes Other than Income Taxes instead of reporting it in Account 688–Regulatory Commission Expense.

MGC's reported balance of $40,508 in Account 460–Unmetered Sewer Revenue is materially misstated in its 2021 Annual Report because its Billing Register only supports $36,056, resulting in a discrepancy of $4,452. MGC also understated its Unmetered Sewer Revenue by $26,924 in 2021 and $457,713 between 2004 and 2020 because it did not charge its Golf Club Facility for sewer services. In addition, MGC understated its 2021 Unmetered Sewer Revenue by $7,135 because it did not charge its short-term residential units (20 casitas) for sewer services.

MGC reported $41,284 of property tax expense in Account 408–Taxes Other than Income Taxes in its 2021 Annual Report. However, MGC could not fully explain and justify the methodology it used to allocate property taxes to its sewer operations.

Had MGC correctly reported and substantiated the account balances, many elements of its financial statements would have been materially affected. The aggregate effects of these errors and omissions on the accompanying financial statements have not been determined.

Adverse Conclusion

Based on our review, due to the significance of the matters described in the Basis for Adverse Conclusion paragraph, the accompanying financial statements are not in accordance with the regulatory basis of accounting framework prescribed by the USOA. Had we been engaged to perform an audit, other matters might have come to our attention.

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. Due to the significant misstatements described in the Basis of Adverse conclusion paragraph, MGC's financial statements are not prepared in accordance with the regulatory requirement.

We draw attention to the 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

We discussed our review results and findings with MGC's management during fieldwork. MGC's management concurred with the findings as described in Appendix A of this report. UAB further discussed these findings with MGC's management at the exit conference on May 23, 2023, and MGC concurred with the review results. At the exit conference, we also stated that the final report will include the views of responsible officials.

UAB provided a draft review report to MGC for comments on June 9, 2023. MGC responded in a letter dated June 22, 2023, that it agreed with UAB's findings. MGC's response is presented in Appendix B of this report. The review findings and recommendations presented in this report represent our final determination of this review engagement.

Other Matter–Submission of a Corrective Action Plan

MGC management should submit a corrective action plan (CAP) to UAB at UtilityAudits@cpuc.ca.gov, with a copy to Bruce DeBerry, Program Manager of Water Division, at Bruce.DeBerry@cpuc.ca.gov by August 10, 2023. The CAP should address how MGC will implement the recommendations and provide the timing of implementation of the CAP. If MGC is unable to implement UAB's recommendations, the CAP should state the reason(s) for not being able to implement the recommendations. MGC should determine the effect of the material misstatements described in Appendix A of this report on MGC's financial statements and incorporate applicable adjustments to correct account balances when filing its 2022 Annual Report with the CPUC.

Report on Other Regulatory Requirements

For regulatory purposes, UAB also reviewed whether MGC complied with PU Code Section 818 to obtain its long-term debts, and whether MGC 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; however, as described in Finding 10 in Appendix A of this report, MGC did not file its 2021 Annual Report timely as required by the directives from the CPUC's Water Division. In addition, MGC failed to remit its CPUC Users Fee to the CPUC since it started providing regulated sewer services to its customers in 2004 as described in Finding 9 in Appendix A of this report. Furthermore, as described in Finding 11 in Appendix A of this report, MGC did not maintain its accounting system as required by the USOA.

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 MGC, 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).

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

Sacramento, CA
June 26, 2023

REVIEWED FINANCIAL STATEMENTS

Mayacama Golf Club, LLC
Balance Sheet (As Reported) [5]
As of December 31, 2021

ASSETS	
UTILITY PLANT	
Sewer Plant in Service (Note 2)	$4,805,000
Sewer Plant in Service–SDWBA/SRF loan (Note 3)	1,396,235
Net Utility Plant	6,201,235
Total Assets and Other Debits	$6,201,235
CORPORATE CAPITAL AND RETAINED EARNINGS	
Retained Earnings (Note 6)	$6,201,235
Total Corporate Capital and Retained Earnings	6,201,235
Total Liabilities and Other Credits	$6,201,235

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

[5] The information presented in the Balance Sheet was derived from MGC's 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. The contents have not been modified by the UAB.

Mayacama Golf Club, LLC
Income Statement (As Reported) [6]
For Year Ended December 31, 2021

OPERATING REVENUES	
Unmetered Water Revenue (Note 8)	$40,508
Total Operating Revenue	40,508
OPERATING EXPENSES	
Plant Operation and Maintenance Expenses	
Contract Work (Note 9)	78,000
Total Plant Operation and Maintenance Expenses	78,000
Administrative and General Expenses	
Insurance (Note 9)	10,000
General Expenses (Note 9)	2,000
Total Administrative and General Expenses	12,000
Total Operating Expenses	90,000
Taxes Other Than Income Taxes (Note 9 and 10)	71,284
Total Operating Revenue Deductions	161,284
Total Utility Operating Loss[7]	(120,775)
Net Loss	($120,775)

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

[6] The information presented in the Income Statement was derived from MGC's 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. The contents have not been modified by the UAB.

[7] Total Utility Operating Loss does not foot due to a rounding variance of $1.

Mayacama Golf Club, LLC
Statement of Retained Earnings (As Reported) [8]
For Year Ended December 31, 2021

Balance Beginning of Year[9]	$0
DEBITS:	
Net Loss	(6,201,235)
Total debits	(6,201,235)
Balance End of Year (Note 6)	($6,201,235)

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

[8] The information presented in the Statement of Retained Earnings was derived from MGC's 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. The contents have not been modified by the UAB.

[9] The beginning balance of $0 reported in MGC's 2021 Annual Report did not agree with the prior year ending deficit retained earnings balance of $3,227,143 in MGC's 2020 Annual Report. See Note 6 to the Financial Statements for further details.

Mayacama Golf Club, LLC
Notes to Financial Statements

Incorporated in the State of Delaware on June 16, 1999,[10] MGC operates a private golf club and fractional real estate community in the City of Santa Rosa in Sonoma County, California[11]. In CPUC Decision (D.) 03-08-056, dated August 21, 2003, CPUC authorized MGC to operate a public sewer system. MGC provides sewer services to 21 single-family cottage units,[12] 20 short-term residential units (casitas) [13] and its Golf Club Facility[9] in Santa Rosa, California.

Significant Accounting Policies

The financial statements of MGC were not prepared on the regulatory basis of accounting framework set forth in the Uniform System of Accounts (USOA) for Water Utilities. Regulated water and sewer utilities are required to prepare their financial statements on accrual basis of accounting set forth in the USOA adopted in Decision (D.) 16-11-006 by the CPUC on November 10, 2016, which is a comprehensive regulatory basis of accounting framework other than the generally accepted accounting principles (GAAP) in the United States of America. The following describes 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 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

[10] MGC's 2021 Annual Report, General Information, Page 4
[11] CPUC Decision 03-08-056, Page 1
[12] MGC's 2021 Billing Register
[13] MGC's 2021 Annual Report, Schedule I – Service Connections At End of Year, Page 19

depreciation rates will be adjusted to reflect any changes in estimates. Water utilities are required 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. The utility must obtain prior written approval from the CPUC for any practice deviates from the aforementioned SPs.

MGC could not provide adequate supporting documents to substantiate the reported balance of $4,805,000 in Account 101–Sewer Plant in Service (SPIS) in its 2021 Annual Report. The beginning SPIS balance in MGC's 2021 Annual Report of $4,805,000 did not agree with the prior year (2020) ending balance of $3,227,143, resulting in a discrepancy of $1,577,857. In addition, MGC's depreciation schedule showed a balance of $4,233,623 for the SPIS account while the reported amount in its 2021 Annual Report is $4,805,000, resulting in a discrepancy of $571,377. Furthermore, the net amount of acquisition, additions, and disposals of SPIS in MGC's depreciation schedule is $3,651,223, which is $582,400 less than the total amount of $4,233,623 in the depreciation schedule. Due to the significant discrepancies noted for SPIS between MGC's 2021 Annual Report and its depreciation schedule, and errors in the depreciation schedule, UAB determined that the reported $4,805,000 SPIS balance is unsupported and unreliable.

MGC did not report any balance for Accumulated Depreciation even though MGC's assets are not fully depreciated. MGC's 2020 Annual Report showed a balance of $1,319,127 for Accumulated Depreciation as of December 31, 2020. However, this balance was not carried forward to MGC's 2021 Annual Report.

MGC did not report any Depreciation Expense in its 2021 Annual Report. UAB reviewed MGC's Annual Reports from 2018 through 2020 and noted that MGC did not report any depreciation expense during these years either. Further analysis of the Accumulated Depreciation account revealed that MGC reported increases to its Accumulated Depreciation account between 2018 and 2020 by adjusting its Retained Earnings account instead of reporting Depreciation Expense in those respective annual reports.

3. Safe Drinking Water Bond Act (SDWBA) Loans

SDWBA loans are low-interest loans from the California Department of Water Resources (DWR) to assist water utilities to fund materials and services used on DWR-approved construction projects. SDWBA loans are repaid through surcharges on customer water bills. Although the accounting treatment of SDWBA loans is similar to GAAP, the USOA requires water utilities to follow the special accounting procedures below:

Water utilities must obtain the CPUC's written approval prior to obtaining a SDWBA loan and instituting a SDWBA surcharge to its ratepayers. Any SDWBA surcharge collected from ratepayers shall be deposited monthly to Account 132, Cash–Special Deposits. The periodical payment of the SDWBA loans and related interest expenses shall be made from this special deposit account.

Plant assets funded by a SDWBA loan are booked in Account 101.1–Water Plant in Service–SDWBA and not depreciable. The principal of a SDWBA loan is amortized through the charges to Account 407–SDWBA Loan Amortization Expense with contra credits to Account 108.1–Accumulated Amortization of SDWBA Loan, over the life of the SDWBA loan.

MGC erroneously reported $1,396,235 of SPIS–SDWBA/SRF in Account 101.1 during 2021. MGC has not received a loan from the DWR to finance its SPIS.

4. Accounts Receivable

MGC omitted the balance of Account 141–Accounts Receivable–Customers from its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. MGC's Accounts Receivable Aging Report showed a receivable balance of $244,655 as of December 31, 2021. This balance includes accounts receivable related to MGC's sewer services and other services, including membership dues. MGC is unable to segregate accounts receivable specifically related to its sewer services.

5. Other Paid-in Capital

MGC's 2020 Annual Report included an ending balance of $3,227,143 in Account 211–Other Paid-in Capital. However, this balance was not carried forward to MGC's 2021 Annual Report. In addition, MGC could not explain the composition of the Other Paid-in Capital balance of $3,227,143 reported in the 2020 Annual Report.

6. Retained Earnings

MGC reported an ending Retained Earnings balance of $6,201,235 that is materially misstated in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. Account 215–Retained Earnings accumulates a company's net income and net losses each year since its inception. The Retained Earnings account is also used to correct prior year accounting errors. Because the balance in the Retained Earnings account accumulates each year, the beginning of the year Retained Earnings balance should agree with the preceding year's ending balance. MGC reported a deficit Retained Earnings balance of $1,317,127 as of December 31, 2020; a net loss of $120,775 in its 2021 Annual Report; and did not report any accounting adjustments. If computed correctly, MGC should have reported an ending deficit Retained Earnings balance of $1,437,902 [($1,317,127) + ($120,775)] as of December 31, 2021. However, MGC reported an ending surplus Retained Earnings balance of $6,201,235 as of December 31, 2021, resulting in a discrepancy of $7,639,137.

7. Accounts Payable

MGC omitted the balance of Account 231–Accounts Payable from its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. MGC's Accounts Payable Aging Report showed an outstanding liability balance of $17,643 as of December 31, 2021, payable to MGC's contractor who provides routine repair and maintenance services related to MGC's SPIS.

8. Operating Revenues

MGC reported a balance of $40,508 in Account 460–Unmetered Sewer Revenue which is materially misstated in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023, due to the following accounting and billing errors:

- MGC reported $40,508 of Unmetered Sewer Revenue reported in its 2021 Annual Report; however, its Billing Register only supports $36,056, resulting in an overstatement of Unmetered Sewer Revenue by $4,452.

- MGC overbilled its single-family cottage units by approximately $51,174 between 2007 and 2021 because it increased its tariff rates without obtaining proper approval from the CPUC. MGC's most updated tariff rates approved by CPUC in Advice Letter 2, effective January 5, 2006, authorized MGC to charge $109 per month for sewer services provided to the single-family cottage units. However, MGC has been sporadically increasing sewer rates for its single-family cottage unit customers since 2007 without obtaining proper CPUC authorization. As a result, MGC overbilled its customers by $8,588 in 2021 and cumulatively by $51,174 as of December 31, 2021. Consequently, MGC also overstated its Retained Earnings by $51,174 as of December 31, 2021, in its 2021 Annual Report.

- MGC understated its sewer revenues by $26,924 in 2021 because MGC did not charge its Golf Club Facility for sewer services. MGC's tariff schedule shows that MGC should have charged its Golf Club Facility $2,243.69 monthly for sewer services. Upon further review, we noted that MGC has never charged its Golf Club Facility for sewer services since the inception of its sewer operation in 2004. Between 2004 and 2020, MGC has understated its revenues by approximately $457,713 ($2,243.69 monthly sewer rate × 12 months × 17 years). As a result, MGC understated its 2021 Unmetered Sewer Revenue by $26,924 ($2,243.69 per month × 12 months) and understated its Retained Earnings by a cumulative amount of $484,637 ($457,713 + 26,924) as of December 31, 2021.

- MGC understated its Unmetered Sewer Revenue by $7,135 in its 2021 Annual Report because MGC did not charge its short-term residential units (20 casitas) for sewer services. MGC also confirmed that it has never charged its short-term residential units for sewer services. MGC could not provide the occupancy data for 2004 through 2020 for short-term residential units to the UAB; therefore, UAB is unable to compute the total revenues that MGC would have generated had it properly billed its short-term residential units for sewer services between 2004 through 2020. MGC's management has yet to determine the effects of this departure from the USOA accounting requirements on MGC's financial position. Due to the lack of supporting documentation, UAB is unable to determine the cumulative effect on MGC's Retained Earnings as of December 31, 2021, because of the understated revenue from its short-term residential units since 2004.

9. Operating Expenses

MGC reported a balance of $90,000 in Account 400–Operating Expense which is materially misstated in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. Our review of MGC's billing records revealed the following accounting errors:

- MGC reported $78,000 of expense in Account 650–Contract Work in its Annual Report. However, the MGC's Detailed General Ledger History Report for its contractor showed that MGC's total expense for routine monthly services and additional repair and maintenance performed by its contractor was $91,560. Therefore, MGC understated Account 650–Contract Work by $13,560.

- MGC reported $10,000 of expense in Account 684–Insurance. However, in its response to UAB's document request on February 2, 2023, MGC personnel stated that total insurance expense allocated to MGC's sewer operations should have been $32,550. MGC provided a worksheet showing that it allocated five percent of its total company-wide property insurance premium to its sewer operations to derived at the $32,550. However, MGC could not explain its basis for this allocation methodology. After further discussions, MGC personnel acknowledged that MGC was only in the process of developing a methodology for allocating insurance expenses.

- MGC erroneously reported $2,000 of unsubstantiated expense in Account 689–General Expenses in its 2021 Annual Report.

- MGC misclassified $30,000 of SWRCB wastewater permit fees in Account 408–Taxes Other than Income Taxes instead of reporting it in Account 688–Regulatory Commission Expense. MGC provided invoices from SWRCB which showed that MGC's wastewater permit fees for 2021 totaled $36,715, resulting in an understatement of $6,715.

10. Taxes Other than Income Taxes

MGC reported $41,284 of property tax expense in Account 408–Taxes Other than Income Taxes in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. However, MGC could not fully explain and justify the methodology it used to allocate property taxes to its sewer operations. The reported $41,284 property tax expense in its 2021 Annual Report differed from the allocated amount from its allocation worksheet, which shows that MGC allocated $26,349 out of $82,736 of its 2021 property taxes to its sewer operations. MGC explained that the parcel in the property tax invoices encompasses MGC's sewer treatment plant, wastewater treatment building and land that contains five holes from MGC's golf course. In its allocation, MGC allocated two sevenths of its property tax assessment for land to its sewer operations but could not explain the basis for this allocation.

11. Water Utility Users Fee

PU Code Sections 401 through 410 authorized the CPUC to set a fee annually to water utilities to cover the costs incurred by the CPUC in regulating them. The USOA requires water utilities to credit regular operating revenue accounts with amounts of Users Fee billed to customers and charge Account 688–Regulatory Commission Expense with fees paid to the CPUC.[14]

MGC failed to remit CPUC Users Fee to the CPUC since it started providing regulated sewer services to its customers in 2004. Since the CPUC Users Fees rate for 2021 was 1.43 percent, MGC should have billed its customers approximately $516 and remitted the amount to the CPUC for 2021. UAB was unable to determine the total CPUC Users Fee that MGC owes to the CPUC from 2004 through 2020 because making such a determination would require us to obtain additional information and perform extensive analyses going beyond the scope of this engagement.

12. Form of Financial Statements[15]

(1) Balance Sheet
Unlike the financial statements of other industries, the financial statements of regulated water utilities present the water 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-water utility operations and/or non-water utility properties, expenses that are unrelated to water 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.

13. 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 purposes, the Statement of Cash Flows is not required and therefore excluded from this review report.

[14] D.16.11-006 dated November 10, 2016, General Accounting Instructions 9 on Pages B18 and B19.
[15] Regulated Utilities Manual—A Service for Regulated Utilities by Deloitte & Touché USA LLP, Pages 36-37

14. 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 utilities to file an Annual Report with the CPUC every year. For the year being reviewed, MGC has not complied with these requirements.

MGC did not comply with the CPUC's Annual Report filing requirement because it did not timely file its 2021 Annual Report. CPUC Water Division's Memorandum dated January 20, 2022, requires that all water and sewer utilities file their 2021 Annual Reports with the CPUC by April 30, 2022. MGC did not file its Annual Report until January 19, 2023, without obtaining the approval from the CPUC Water Division for a filing extension.

APPENDIX A—REVIEW FINDINGS AND RECOMMENDATIONS

Finding 1: Overbilled Sewer Services for Single-family Cottage Units

Condition:
MGC overbilled its single-family cottage units by approximately $51,174 between 2007 and 2021 because it increased its tariff rates without obtaining proper approval from the CPUC. MGC's most updated tariff rates approved by CPUC in Advice Letter 2, effective January 5, 2006, authorized MGC to charge $109 per month for sewer services provided to the single-family cottage units. However, MGC has been sporadically increasing sewer rates for its single-family cottage unit customers since 2007 without obtaining proper CPUC authorization.

The table below summarizes MGC's approximate overbillings:

Year	Monthly Rate Billed by MGC	CPUC Authorized Tariff Rate	Overbilled Monthly Rate	Number of Cottages	Number of months	UAB Estimated Overbilling
2007	$111.16	$109	($2.16)	7	12	($181)
2008	111.16	109	(2.16)	10	12	(259)
2009[16]	111.16	109	(2.16)	9	12	(233)
2010[16]	111.16	109	(2.16)	11	12	(285)
2011[16]	111.16	109	(2.16)	18	12	(467)
2012	MGC did not bill its customers for sewer services in 2012					
2013	MGC did not bill its customers for sewer services in 2013					
2014[16]	123.25	109	(14.25)	21	12	(3,591)
2015	127.57	109	(18.57)	20	12	(4,457)
2016	127.57	109	(18.57)	22	12	(4,902)
2017	127.57	109	(18.57)	22	12	(4,902)
2018	136.64	109	(27.64)	21	12	(6,965)
2019	141.43	109	(32.43)	21	12	(8,172)
2020	141.43	109	(32.43)	21	12	(8,172)
January and February 2021	141.43	109	(32.43)	21	2	(1,362)
March through December 2021	143.41	109	(34.41)	21	10	(7,226)
					Total	($51,174)

[16] UAB computed the overbilled amount based on MGC's customer counts and sewer rates charged by MGC. MGC's Annual Billing Summaries showed MGC issued refunds totaling $7,920, $7,920, $11,290, and $15,120 during 2009, 2010, 2011, and 2014, respectively. However, MGC could not explain the purpose of these refunds.

As a result, MGC overbilled its customers by $8,588 ($1,362 + $7,226) in 2021 and cumulatively by $51,174 as of December 31, 2021. In addition, MGC overstated its Retained Earnings by $51,174 as of December 31, 2021, in its 2021 Annual Report.

Criteria:
CPUC's General Order 96-B states, in part, that:

> **9. Tariffs**
> **9.1 Submittal Making Accessible Revising**
> At all times, and as further provided in the Industry Rules, each utility shall comply with the following requirements regarding its tariffs then in effect: (1) submit them to the appropriate Industry Division; (2) compile, publish, and make them accessible for public copying and inspection in accordance with General Rules 9.1.1 to 9.1.3; and (3) promptly submit such revisions as are necessary to conform the utility's tariffs to statute or Commission order. These requirements shall apply except where and to the extent that, by statute or Commission order, compliance is expressly excused for the specific utility or type of utility, or for specific services offered by the utility or type of utility…
>
> **9.2.1 Consistency with Tariffs**
> Except for non-tariffed or detariffed service, or a deviation (whether by contract or otherwise), authorized by statute or Commission order, a utility shall serve its California customers only at rates and under conditions contained in its tariffs then in effect. Any ambiguity in a tariff provision shall be construed in the way most favorable to the customer, and any representation made by a utility, in advertising or otherwise, with respect to a tariffed service shall be consistent with the terms and conditions of the applicable tariff(s)

CPUC's SP U-8-W states, in part, that:

> **C. Tariffs Generally**
> 8. The Utility's tariffs or tariff book includes the entire body of rates, tolls, rentals, charges, classifications and rules of a public Utility. No regulated Utility can charge for any utility service that is not described and approved by the Commission in its tariffs. A tariff schedule describes and sets rates for a specific utility service.

MGC Tariff Book – Schedule No.1 – General Flat Rate Service, shows, in part, the following sewer rates:

<u>Rates</u>

	Per Month
Cottage Units	$109.00
Casitas	$49.55
Golf Club	$2,243.69

Cause:
MGC lacks monitoring and review procedures over its customer billing process to ensure that it complies with CPUC's directives so that its customers are billed at tariff rates approved by the CPUC.

Effect:
MGC overcharged its residential customers by approximately $51,174. MGC did not comply with CPUC's directives.

Recommendations:
MGC should obtain authorization from the CPUC's Water Division to refund the overcollection to its residential customers. MGC should also improve its monitoring and review procedures over its customer billing process to ensure that it complies with CPUC's directives so that its customers are billed at the sewer rates authorized by the CPUC.

Finding 2: Materially Misstated Retained Earnings

Condition:
MGC's reported ending Retained Earnings balance of $6,201,235 is materially misstated in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. Account 215–Retained Earnings accumulates a company's net income and net losses each year since its inception. The Retained Earnings account is also used to correct prior year accounting errors. Because the balance in the Retained Earnings account accumulates each year, the beginning of the year Retained Earnings balance should agree with the preceding year's ending balance. MGC reported a deficit Retained Earnings balance of $1,317,127 as of December 31, 2020; a net loss of $120,775 in its 2021 Annual Report; and did not report any accounting adjustments. If computed correctly, MGC should have reported an ending deficit Retained Earnings balance of $1,437,902 [($1,317,127) + ($120,775)] as of December 31, 2021. However, MGC reported an ending surplus Retained Earnings balance of $6,201,235 as of December 31, 2021, resulting in a discrepancy of $7,639,137 ($6,201,235 + $1,437,902).

Criteria:
The USOA states, in part, that:

> **215. Retained Earnings (for corporations only)**
> A. This account shall reflect corporate earnings retained in the business.
>
> B. The account shall be credited with:
> 1. Net income.
> 2. Accounting adjustments not properly attributable to the current period.
>
> C. The account shall be charged with:
> 1. Net losses.
> 2. Accounting adjustments not properly attributable to the current period.
> 3. Dividends.

PU Code Section 581 states:

> Every public utility shall furnish to the commission in such form and detail as the commission prescribes all tabulations, computations, and all other information required by it to carry into effect any of the provisions of this part, and shall make specific answers to all questions submitted by the commission.
>
> Every public utility receiving from the commission any blanks with directions to fill them shall answer fully and correctly each question propounded therein, and if it is unable to answer any question, it shall give a good and sufficient reason for such failure.

Cause:
MGC lacks monitoring and review policies and procedures over its accounting and reporting process to ensure that Retained Earnings balances are accurately computed and reported in its Annual Reports in compliance with accounting requirements of the USOA.

Effect:
MGC's management has yet to determine the effects of this departure from the USOA accounting requirements on MGC's financial position.

Inaccurate reporting of Retained Earnings distorted MGC's financial position as of December 31, 2021, and reduced the comparability of MGC's financial statements with other sewer utilities. Consistent financial presentation among sewer utilities aids decisionmakers in analyzing the performance and financial position of MGC relative to other sewer utilities in California.

Recommendation:
MGC should establish and implement monitoring and review procedures over its accounting and reporting process to ensure that Retained Earnings balances are accurately computed and reported in its Annual Reports in compliance with the accounting requirements of the USOA.

Finding 3: Inadequate Documentation to Support Account 101–Sewer Plant in Service

Condition:
MGC could not provide adequate supporting documents to substantiate the reported balance of $4,805,000 in Account 101–SPIS in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. Our review of MGC's accounting records revealed the following errors:

- MGC's 2021 Annual Report included a beginning SPIS balance of $4,805,000 in Schedule A-1a–Account 101–SPIS. However, MGC's 2020 Annual Report showed an ending SPIS balance of $3,227,143 as of December 1, 2020. MGC could not explain the noted discrepancy of $1,577,857 between the 2020 ending balance and 2021 beginning balance.

- MGC's depreciation schedule cannot be relied upon due to significant accounting errors in the schedule.

MGC's depreciation schedule showed a balance of $4,233,623 for the SPIS account while the reported amount in its 2021 Annual Report is $4,805,000, resulting in a discrepancy of $571,377.

In addition, the net amount of acquisition, additions, and disposals of SPIS in MGC's depreciation schedule is $3,651,223, which is $582,400 less than the total amount of $4,233,623 in the depreciation schedule as detailed below:

Description	Acquisition/ Disposal Date	Amount
Wastewater Treatment Plant (WWTP)	12/31/2001	$3,087,442
Additions to WWTP	**Note A**	139,701
Additions to WWTP	2007 to 2020	156,649
Disposal of WWTP	10/9/2017	(1,102,900)
WWTP Building	1/1/2019	1,370,331
Recomputed Total SPIS		$3,651,223
Total SPIS shown in Depreciation Schedule		4,233,623
Variance		$582,400

Note A - Acquisition date is missing in the depreciation schedule

Furthermore, MGC could not fully explain the total addition of $269,350 ($139,701 + $156,649) shown in its depreciation schedule. Due to the significant errors in MGC's depreciation schedule, UAB concluded that MGC's depreciations schedule is unsupported and unreliable.

Due to the significant discrepancies noted for SPIS between MGC's 2021 Annual Report and its depreciation schedule, and errors in the depreciation schedule, UAB determined that the reported $4,805,000 SPIS balance is unsupported and unreliable.

Criteria:
The USOA states, in part, that:

General Accounting Instructions 2
A. The books of account of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall post its accounts monthly and shall close its books at the end of each calendar year.

B. All books of account, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, memoranda and information useful in determining the facts regarding a transaction.

101. Water Plant in Service
A. This account shall include the original cost of all water plant owned and used by the utility in providing water service. The following subaccounts should be maintained, if applicable:

101.1 Water Plant in Service - SDWBA
101.2 Water Plant in Service - Grant Funds
101.3 Water Plant in Service – Other

PU Code Section 581 states that:

> Every public utility shall furnish to the commission in such form and detail as the commission prescribes all tabulations, computations, and all other information required by it to carry into effect any of the provisions of this part, and shall make specific answers to all questions submitted by the commission.
>
> Every public utility receiving from the commission any blanks with directions to fill them shall answer fully and correctly each question propounded therein, and if it is unable to answer any question, it shall give a good and sufficient reason for such failure.

Cause:
MGC lacks policies and procedures to ensure that it retains adequate and accurate documents to support its SPIS balance reported in its 2021 Annual Report.

Effect:
Due to the lack of supporting documentation and errors in MGC's depreciation schedule, UAB is unable to verify the accuracy of the reported balances of Account 101–SPIS. Inaccurately reported balance of SPIS could potentially impact sewer rates for MGC's ratepayers during MGC's General Rate Case (GRC) application review process.

Recommendation:
MGC should establish and implement accounting policies and procedures to ensure that it retains adequate and accurate documents to support the SPIS balances reported in its Annual Reports.

Finding 4: Erroneously Reported Sewer Plant in Service–SDWBA/SRF

Condition:
MGC erroneously reported a balance of $1,396,235 in Account 101.1–SPIS–SDWBA/SRF in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. MGC has never received a loan from the DWR to finance its SPIS. Therefore, both Account 101.1–SPIS–SDWBA/SRF and Account 215–Retained Earnings are overstated by $1,396,235.

Criteria:
PU Code Section 581 states:

> Every public utility shall furnish to the commission in such form and detail as the commission prescribes all tabulations, computations, and all other information required by it to carry into effect any of the provisions of this part and shall make specific answers to all questions submitted by the commission.
> Every public utility receiving from the commission any blanks with directions to fill them shall answer fully and correctly each question propounded therein, and if it is unable to answer any question, it shall give a good and sufficient reason for such failure.

Cause:
MGC lacks monitoring and review policies and procedures over its accounting and reporting process to ensure that only account balances that exist are recorded and reported in its Annual Reports.

Effect:
MGC overstated Account 101.1–SPIS–SDWBA/SRF by incorrectly reporting an erroneous balance in its 2021 Annual Report. Inaccurately reported balance of SPIS in the Annual Report, which may be used during MGC's GRC application review process, could potentially impact MGC's rate base and sewer rates for MGC's ratepayers.

Recommendation:
MGC should establish and implement monitoring and review procedures over its accounting and reporting process to ensure amounts reported in its Annual Report are accurate and complete.

Finding 5: Material Omissions in the Annual Report

Condition:
MGC omitted reporting material balances for the following accounts in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023:

- Account 231–Accounts Payable: MGC's Accounts Payable Aging Report showed an outstanding balance of $17,643 as December 31, 2021, payable to MGC's contractor who provided routine repair and maintenance services related to MGC's SPIS.

- Account 141–Accounts Receivable–Customers: MGC's Accounts Receivable Aging Report showed a receivable balance of $244,655 as of December 31, 2021. This balance includes accounts receivable related to MGC's sewer services and other services, including membership dues. MGC is unable to segregate accounts receivable specifically related to its sewer services.

- Account 108–Accumulated Depreciation of Water Plant: MGC did not report any balance for Accumulated Depreciation even though MGC's assets are not fully depreciated. MGC's 2020 Annual Report showed a balance of $1,319,127 for Accumulated Depreciation as of December 31, 2020. However, this balance was not carried forward to MGC's 2021 Annual Report.

- Account 403–Depreciation Expense: MGC did not report any Depreciation Expense in its 2021 Annual Report. UAB reviewed MGC's Annual Reports from 2018 through 2020 and noted that MGC did not report any depreciation expense during these years either. Further analysis of the Accumulated Depreciation account revealed that MGC reported increases to its Accumulated Depreciation account between 2018 and 2020 by adjusting its Retained Earnings account instead of reporting Depreciation Expense in those respective annual reports.

- Account 211–Other Paid-in Capital: MGC's 2020 Annual Report included an ending balance of $3,227,143 in Account 211–Other Paid-in Capital. However, this balance was not carried forward to MGC's 2021 Annual Report. In addition, MGC could not explain the composition of the Other Paid-in Capital balance of $3,227,143 reported in the 2020 Annual Report.

Criteria:
PU Code Section 581 states, in part, that:

> Every public utility receiving from the commission any blanks with directions to fill them shall answer fully and correctly each question propounded therein, and if it is unable to answer any question, it shall give a good and sufficient reason for such failure.

The USOA states, in part, that:

> **2. General Accounting Instructions**
> A. The books of account of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall post its accounts monthly and shall close its books at the end of each calendar year.
>
> B. All books of account, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, memoranda and information useful in determining the facts regarding a transaction.
>
> **141. Accounts Receivable – Customers**
> This account shall include amounts due from customers for water service.
> Note: Accounts receivable other than from customers for water service shall be included in account 174, Other Current Assets, or in account 121, Non-Water Utility Property and Other Assets, as appropriate.
>
> **231. Accounts Payable**
> This account shall include all amounts payable by the utility within one year, which is not provided for in other accounts.
>
> **108. Accumulated Depreciation of Water Plant**
> A. This account shall reflect the depreciation and amortization accumulated on plant used in water utility service.
>
> B. This account shall be credited with:
> 1. Amounts concurrently charged to account 403, Depreciation Expense, representing currently accruing depreciation of water plant (other than contributed water plant).

403. Depreciation Expense
This account shall be charged with that portion of the depreciation accrual credited to Account 108, Accumulated Depreciation of Water Plant, applicable to all classes of depreciable water plant except plant represented by contributions in aid of construction. Depreciation shall be accrued on a straight-line remaining life basis. Use of a single composite depreciation rate applied to all depreciable plant is permissible for water utilities with annual revenues of $ 100,000 or less.

211. Other Paid-in Capital (for corporations only)
A. This account shall include all non-Subchapter S Corporation's paid-in capital not derived from earnings. It shall include such items as premiums and discounts related to the issuance of capital stock, donations to the utility of its capital stock, credits arising from the forgiveness of debt of the utility; credits arising out of a reorganization of the utility, or in connection with its recapitalization.
B. Each type of paid-in capital shall be carried in a separate subaccount.

Cause:
MGC lacks monitoring and review procedures over its accounting and reporting process to ensure all account balances are recorded and reported accurately and completely in its Annual Reports.

Effect:
MGC's management has yet to determine the effects of these omissions on MGC's financial position.

Omission or inaccurate reporting of Account 108–Accumulated Depreciation and Account 403–Depreciation Expense in MGC's Annual Report, which may be used during MGC's GRC application review process, could potentially impact sewer rates for MGC's ratepayers.

Omission or inaccurate reporting of Account 141–Accounts Receivable–Customers, Account 211–Other Paid-in Capital, and Account 231–Accounts Payable in the Annual Report distorted its financial position as of December 31, 2021, misstated its available working capital, and reduced the comparability of MGC's financial statements with other sewer utilities. Consistent financial presentation among sewer utilities aids decisionmakers in analyzing the performance and financial position of MGC relative to other sewer utilities in California.

Recommendation:
MGC should establish and implement monitoring and review procedures over its accounting and reporting process to ensure that all account balances are recorded and reported accurately and completely in its Annual Reports.

Finding 6: Materially Misstated Operating Expenses

Condition:
MGC's reported balance of $90,000 in Account 401–Operating Expenses is materially misstated in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. Our review of MGC's billing records revealed the following accounting errors:

- MGC reported $78,000 of expense in Account 650–Contract Work in its Annual Report. However, the MGC's Detailed General Ledger History Report for its contractor showed that MGC's total expense for routine monthly services and additional repair and maintenance performed by its contractor was $91,560. Therefore, MGC understated Account 650–Contract Work by $13,560 ($91,560 - $78,000).

- MGC reported $10,000 of expense in Account 684–Insurance. However, in its response to UAB's documentation request on February 2, 2023, MGC stated that total insurance expense allocated to MGC's sewer operations should have been $32,550. MGC provided a worksheet showing that it allocated five percent of its total company-wide property insurance premium to its sewer operations to derive at the $32,550. However, MGC could not explain its basis for this allocation methodology. After further discussions, MGC acknowledged that it was only in the process of developing a methodology for allocating insurance expenses.

- MGC erroneously reported $2,000 of unsubstantiated expense in Account 689–General Expenses in its 2021 Annual Report.

- MGC misclassified $30,000 of SWRCB wastewater permit fees in Account 408–Taxes Other than Income Taxes instead of reporting it in Account 688–Regulatory Commission Expense. MGC provided invoices from SWRCB which showed that MGC's wastewater permit fees for 2021 totaled $36,715, resulting in an understatement of $6,715 ($36,715 -$30,000).

Criteria:
PU Code Section 581 states:

> Every public utility shall furnish to the commission in such form and detail as the commission prescribes all tabulations, computations, and all other information required by it to carry into effect any of the provisions of this part and shall make specific answers to all questions submitted by the commission.
>
> Every public utility receiving from the commission any blanks with directions to fill them shall answer fully and correctly each question propounded therein, and if it is unable to answer any question, it shall give a good and sufficient reason for such failure.

The USOA states, in part, that:

> **2. General Accounting Instructions**
> A. The books of account of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall post its accounts monthly and shall close its books at the end of each calendar year.
>
> B. All books of account, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, memoranda and information useful in determining the facts regarding a transaction.

650. Contract Work
This account shall include the cost of all repair and maintenance work not performed by water company employees. Examples of such expenses are pump repairs, repairs of water system leaks by local plumbers, painting of tanks by painting contractors, and testing of water by laboratories. This account shall include materials that are part of a contract price if the cost of such materials is not separately stated, and incidental operation and maintenance expenses not chargeable to accounts 630 or 640.

684. Insurance
This account shall include all insurance costs applicable to the accounting period, including workers' compensation, liability, vehicle, fire and theft or robbery insurance.

689. General Expense
This account shall include all expenses not includible in other operating expense accounts. General expenses include advertising, subscriptions, collection agency fees and Water Association dues.

408. Taxes Other Than Income Taxes
This is the tax expense account to which taxes other than income taxes are charged. Property taxes, payroll taxes (and, unemployment insurance, social security taxes) and other taxes and licenses (e.g., municipal business taxes, annual franchise fees) will be entered in this account.

Note B: Assessments for support of regulatory commissions shall be charged to operating expense Account 688, Regulatory Commission Expense.

688. Regulatory Compliance Expense
A. This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal matters before regulatory commissions.

B. Amounts of regulatory commission expense which, by direction of the commission is to be spread over future periods shall be charged to Account 180, Deferred Charges and amortized by charges to Account 688, Regulatory Commission Expense.

Cause:
MGC lacks monitoring and review procedures over its accounting and reporting process to ensure all account balances are reported accurately and completely reported in its 2021 Annual Report. MGC has not developed policies and procedures to allocate insurance expense shared between its sewer and other operations.

Effect:
Inaccurate reporting of Operating Expenses in the Annual Report, which may be used during MGC's GRC application review process, could potentially impact sewer rates for MGC's ratepayers.

Recommendations:
MGC should establish and implement monitoring and review procedures over its accounting and reporting process to ensure that all account balances are reported accurately and completely in its Annual Report. MGC should also develop policies and procedures to allocate insurance expense shared between its sewer and other operations.

Finding 7: Materially Misstated Unmetered Sewer Revenues

Condition:
MGC's reported balance of $40,508 in Account 460–Unmetered Sewer Revenue is materially misstated in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023, due to the following accounting and billing errors:

- MGC reported $40,508 of Unmetered Sewer Revenue reported in its 2021 Annual Report; however, MGC's Billing Register showed that MGC had $36,056 of Unmetered Sewer Revenue, resulting in an overstatement of Unmetered Sewer Revenue by $4,452 ($40,508 - $36,056).

- MGC understated its Unmetered Sewer Revenue by $26,924 in its 2021 Annual Report because MGC did not charge its Golf Club Facility for sewer services. MGC's tariff schedule shows that MGC should have charged its Golf Club Facility $2,243.69 monthly for sewer services, but MGC has never charged its Golf Club Facility for sewer services since the inception of its sewer operation in 2004. Between 2004 and 2020, MGC has understated its revenues by approximately $457,713 ($2,243.69 monthly sewer rate × 12 months × 17 years). As a result, MGC understated its 2021 Unmetered Sewer Revenue by $26,924 ($2,243.69 per month × 12 months) and understated its Retained Earnings by a cumulative amount of $484,637 ($457,713 + 26,924) as of December 31, 2021.

- MGC understated its Unmetered Sewer Revenue by $7,135 in its 2021 Annual Report because MGC did not charge its short-term residential units (20 casitas) for sewer services. MGC's tariff schedule shows that MGC should have charged its short-term casitas $49.55 monthly for sewer services. MGC's casitas had an average occupancy rate of 60 percent during 2021. Therefore, MGC would have generated approximately $7,135 ($49.55 per month × 12 months × 20 casitas × 60% occupancy rate) of Unmetered Sewer Revenue in 2021 if they properly charged their short-term residential customers for sewer services. MGC also confirmed that it has never charged its short-term residential units for sewer services. MGC could not provide the occupancy data for 2004 through 2020 for short-term residential units to the UAB; therefore, UAB is unable to compute the total revenues that MGC would have generated had it properly billed its short-term residential units for sewer services between 2004 through 2020. MGC's management has yet to determine the effects of this departure from the USOA accounting requirements on MGC's financial position. Due to the lack of supporting documentation, UAB is unable to determine the cumulative effect on MGC's Retained Earnings as of December 31, 2021, because of the understated revenue from its short-term residential units since 2004.

Criteria:
The USOA states, in part, that:

460. Unmetered Water Revenue
A. This account shall include all revenue from unmetered water service. Surcharge revenues approved by the Commission applicable to unmetered customers shall be recorded in this account. Separate subaccounts shall be maintained for each type of surcharge approved by the Commission unless otherwise authorized or directed by the Commission.

9. Tariffs
9.1 Submittal Making Accessible Revising
At all times, and as further provided in the Industry Rules, each utility shall comply with the following requirements regarding its tariffs then in effect: (1) submit them to the appropriate Industry Division; (2) compile, publish, and make them accessible for public copying and inspection in accordance with General Rules 9.1.1 to 9.1.3; and (3) promptly submit such revisions as are necessary to conform the utility's tariffs to statute or Commission order. These requirements shall apply except where and to the extent that, by statute or Commission order, compliance is expressly excused for the specific utility or type of utility, or for specific services offered by the utility or type of utility…

9.2.1 Consistency with Tariffs
Except for non-tariffed or detariffed service, or a deviation (whether by contract or otherwise), authorized by statute or Commission order, a utility shall serve its California customers only at rates and under conditions contained in its tariffs then in effect. Any ambiguity in a tariff provision shall be construed in the way most favorable to the customer, and any representation made by a utility, in advertising or otherwise, with respect to a tariffed service shall be consistent with the terms and conditions of the applicable tariff(s)

SP U-8-W states, in part, that:

C. Tariffs Generally
8. The Utility's tariffs or tariff book includes the entire body of rates, tolls, rentals, charges, classifications and rules of a public Utility. No regulated Utility can charge for any utility service that is not described and approved by the Commission in its tariffs. A tariff schedule describes and sets rates for a specific utility service.

MGC Tariff Book – Schedule No.1 – General Flat Rate Service, states, in part:

<u>Rates</u>

	Per Month
Cottage Units	$109.00
Casitas	$49.55
Golf Club	$2,243.69

Cause:
MGC lacks monitoring and review procedures over its billing process to ensure that it bills its Golf Club Facility and short-term residential units for sewer services. MGC also lacks monitoring and review procedures over its accounting and reporting process to ensure that Operating Revenue is accurately reported in its Annual Reports.

Effect:
MGC did not bill its Golf Club Facility and short-term residential units for sewer services, resulting in understated Operating Revenues. Not billing its Golf Club Facility and short-term residential units for sewer services could improperly result in higher sewer rates for MGC's single-family cottage customers. Additionally, inaccurate reporting of Operating Revenue in the Annual Report, which may be used during the MGC's GRC application review process, could potentially impact sewer rates for MGC's ratepayers during the GRC review process.

Recommendations:
MGC should establish and implement monitoring and review procedures over its billing process to ensure that it properly bills all of its customers for sewer services in accordance with its tariff rates authorized by the CPUC. MGC should also implement monitoring and review procedures over its accounting and reporting process to ensure that Operating Revenue is accurately reported in its Annual Reports.

Finding 8: Lack of Methodology for Allocating Property Taxes

Condition:
MGC reported $41,284 of property tax expense in Account 408–Taxes Other than Income Taxes in its 2021 Annual Report originally filed with the CPUC's Water Division on January 19, 2023. However, MGC could not fully explain and justify the methodology it used to allocate property taxes to its sewer operations. The reported $41,284 property tax expense in its 2021 Annual Report differed from the allocated amount from its property tax allocation worksheet, which shows that MGC allocated $26,349 out of $82,736 of its 2021 property taxes to its sewer operations. MGC explained that the parcel in the property tax invoices encompasses MGC's sewer treatment plant, wastewater treatment building, and land that contains five holes from MGC's golf course. In its allocation, MGC allocated two sevenths of its property tax assessment for land to its sewer operations but could not explain the basis for this allocation.

Criteria:
The USOA states, in part, that:

> **2. General Accounting Instructions**
> A. The books of account of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall post its accounts monthly and shall close its books at the end of each calendar year.
>
> B. All books of account, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, memoranda and information useful in determining the facts regarding a transaction.

PU Code Section 581 states that:

> Every public utility shall furnish to the commission in such form and detail as the commission prescribes all tabulations, computations, and all other information required by it to carry into effect any of the provisions of this part and shall make specific answers to all questions submitted by the commission.
>
> Every public utility receiving from the commission any blanks with directions to fill them shall answer fully and correctly each question propounded therein, and if it is unable to answer any question, it shall give a good and sufficient reason for such failure.

CPUC's SP U-21-W – Non-Tariffed Service Offerings and Information on Affiliate Transactions states, in part, that:

> B. –Affiliate Transactions Rules
> b. Rules
>
> Rule 15. Allocation of Common Costs. Absent any change in the applicable policy of the Commission or provision of the Public Utilities Code, Water Utility and each of its affiliated companies shall allocate costs between them in such a manner that ratepayers of Water Utility will not subsidize any affiliate of Water Utility

Cause:
MGC lacks accounting policies and procedures regarding allocating property tax expense to its sewer operations.

Effect:
Inaccurate reporting of Taxes Other than Incomes Taxes in MGC's Annual Report, which may be used during MGC's GRC application process, could potentially impact sewer rates for MGC's ratepayers.

Recommendation:
MGC should establish and implement accounting policies and procedures regarding allocating property tax expense to its sewer operations.

Finding 9: Noncompliance with CPUC Users Fee Requirements

Condition:
MGC failed to remit CPUC Users Fee to the CPUC since it started providing regulated sewer services to its customers in 2004. PU Code Sections 431 and 433 and CPUC directives specified in Resolution M-4841 and CPUC Water Division's Memorandum dated July 23, 2020, require utilities to bill and collect CPUC Users Fee from customers and remit them to the CPUC annually. MGC stated that it was not aware of its responsibilities regarding collecting and remitting CPUC Users Fee. The CPUC Users Fees rate for 2021 was 1.43 percent and MGC's 2021 Billing Register showed it billed $36,056 of Unmetered Sewer Revenue. Therefore, MGC should have billed its customers approximately $516 ($36,056 × 1.43 percent) for CPUC Users Fees during 2021 and remitted the amount to the CPUC. UAB was unable to determine the total CPUC Users Fee that MGC owes to the CPUC from 2004 through 2020 because making such a determination would

require us to obtain additional information and perform extensive analyses going beyond the scope of this engagement.

Criteria:
The USOA states, in part, that:

> General Accounting Instructions 2A.
> The books of account of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall post its accounts monthly and shall close its books at the end of each calendar year
>
> 9. Water Utility Users Fee
> Public Utilities Code Sections 401 through 415 provide that the Commission shall annually set a fee to be paid by water utilities to cover the costs incurred by the Commission in regulating them. A percentage of gross revenues is added to customer bills and paid by the water companies to the Commission.
>
> A. Class A water utilities pay a percentage of gross revenues quarterly; Class B, C, and D water utilities pay a designated amount, based on gross revenues, on January 15 of the following year. Sales of water for resale and Interdepartmental water sales should be excluded from gross revenues when computing the Water Utility Users fee.
>
> B. Water utilities will credit regular operating revenue accounts with amounts billed to customers and charge account 688, Regulatory Commission Expense, with fees paid to the Commission.

PU Code Section 433(a) states that:

> Every public utility with annual gross intrastate revenues of seven hundred fifty thousand dollars ($750,000) or less shall make payment of the fee to the commission on an annual basis on or before January 15.

PU Code Section 431 requires the CPUC to annually determine the Users Fee.

CPUC Resolution M-4841 established the Users Fee effective October 1, 2020.

CPUC Water Division's Memorandum dated July 23, 2020, direct all regulated water and sewer utilities to implement the authorized CPUC Users Fee.

Cause:
MGC lacks monitoring and review policies and procedures over its accounting process to ensure that CPUC Users Fee are collected from its sewer customers and remitted to the CPUC.

Effect:
MGC did not comply with CPUC directives regarding collecting and remitting CPUC Users Fee. MGC also owes CPUC the unremitted Users Fees since 2004.

Recommendation:
MGC should establish and implement monitoring and review procedures over its accounting process to ensure CPUC Users Fee is collected from its customers and remitted to the CPUC as required by CPUC directives. MGC should also work with the CPUC's Water Division and Fiscal Office to determine the appropriate amount and remit the unpaid CPUC Users Fee to the CPUC in a timely manner.

Finding 10: Late Filing of 2021 Annual Report without CPUC Authorization
MGC did not comply with the CPUC's Annual Report filing requirement because it did not timely file its 2021 Annual Report. CPUC Water Division's Memorandum dated January 20, 2022, requires that all water and sewer utilities file their 2021 Annual Reports with the CPUC by April 30, 2022. MGC did not file its Annual Report until January 19, 2023, without obtaining the approval from the CPUC Water Division for a filing extension.

Criteria:
CPUC Water Division Memorandum dated January 20, 2022, requires that all water and sewer utilities regulated by the CPUC file their 2021 annual reports on or before April 30, 2022. Any request for a filing extension must be authorized by the CPUC's Water Division.

Cause:
MGC lacks accounting and reporting procedures to ensure timely filing of its Annual Reports with the CPUC's Water Division.

Effect:
MGC did not comply with the filing requirements of the CPUC's Water Division regarding its 2021 Annual Report. The unavailability of the Annual Report in a timely manner could impact the decision making by the CPUC's decision makers and the public.

Recommendation:
MGC should implement accounting and reporting procedures to ensure timely filing of its Annual Reports with the CPUC's Water Division.

Finding 11: Noncompliance with USOA Accounting Requirements
MGC's accounting system does not allow it to readily segregate activities related to its sewer operations. MGC's 2021 WTB and G/L recorded account balances at a company-wide level. MGC has not developed a reporting mechanism to accurately summarize account balances related only to its sewer operations. MGC also does not utilize the chart of accounts prescribed by the USOA to record transactions for its sewer operations.

Criteria:
The USOA states, in part, that:

> **2. General Accounting Instructions**
> A. The books of account of all water utilities shall be kept by the double entry method, on an accrual basis. Each utility shall post its accounts monthly and shall close its books at the end of each calendar year.
>
> B. All books of account, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining

to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, memoranda and information useful in determining the facts regarding a transaction.

Cause:
MGC lacks adequate processes in its accounting system that allows it to effectively segregate activities related to its sewer operations for CPUC reporting purposes.

Effect:
Lack of an effective accounting system results in noncompliance with the USOA accounting requirements. It can also result in material misstatements in MGC's financial reporting. Inaccurate and materially misstated financial information in MGC's Annual Report, which may be used during MGC's GRC application review process, could potentially impact sewer rates for MGC's rate payers.

Recommendation:
MGC should enhance its accounting system by establishing processes that allow it to effectively segregate activities related to its sewer operations for CPUC reporting purposes. MGC should also comply with the USOA accounting requirements by utilizing the chart of accounts prescribed by the USOA to record transactions for its sewer operations.

APPENDIX B—UTILITY'S RESPONSE

To: California Public utility Commission
Utility Audit Division
ATTN: Raymond Yin
400 R Street, Sacramento, CA 95811

6/22/2023

Regarding: 2021 Audit Findings

To Whom it may concern,

Thank you for taking the time to complete the audit. We agree with the majority of the findings outlined in the 2021 Audit. As we've discussed at length we feel as though the amount we need to refund our customers should be offset by refunds back in 2009,2010,2011, and 2014 but we will work with Bruce DeBerry to solidify that number moving forward. We will provide the CPUC a corrective action plan and work towards getting that complete over the next few months.

Thank you,

Geoff Gomes
Controller
Mayacama Golf Club