REVIEW OF FINANCIAL STATEMENTS

Yosemite Spring Park Utility Company

For the Year Ended December 31, 2023

Utility Audits, Risk and Compliance Division
Utility Audits Branch
October 10, 2025

MEMBERS OF THE TEAM

Angie Williams, Director

Masha Vorobyova, Assistant Director

Raymond Yin, CPA
Program and Project Supervisor

Khusbindar Kaur, CPA
Lead

Ruth Yang, CPA
Staff

Abdullah Alqatami
Staff

A digital copy of this report can be found at:
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400 R Street, Suite 221
Sacramento, CA 95811

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

Transmitted via e-mail

October 10, 2025

Cheryl Bluhm, President
Yosemite Spring Park Utility Company
30950-B Corral Drive
Coarsegold, CA 93614

Dear Cheryl Bluhm:

Final Report Transmittal Letter—Review of Yosemite Spring Park Utility Company 's Annual Report for the Year Ended December 31, 2023

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its review of Yosemite Spring Park Utility Company's (YSPUC) regulatory basis financial statements in the 2023 Annual Report filed with the CPUC, which comprise the balance sheet as of December 31, 2023, and related statements of income and retained earnings. The final review report is enclosed.

We issued the draft review report for comments on September 18, 2025. Since YSPUC did not provide a written response, we are issuing the report as final. 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 November 24, 2025. The CAP should include specific steps YSPUC will take to address UAB's findings and recommendations and a target date for implementing each specific corrective action. 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 YSPUC'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: Paul Stiglich, General Manager, YSPUC
Mike Bouchard, Vice President, YSPUC
Richard Rajecki, Director, YSPUC
Eric Jensen, Director, YSPUC
Preston McGill, Secretary, YSPUC
Felecia Chancey, CPA/Consultant, YSPUC
Rachel Peterson, Executive Director, CPUC
Kristin Stauffacher, Deputy Executive Director, Office of the Commission, CPUC
Lee Palmer, Deputy Executive Director for Safety Enforcement, Safety Policy & Water, CPUC
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Masha Vorobyova, Assistant Director, UAB, CPUC
Bruce DeBerry, Program Manager, Water Division, CPUC
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Wilson Tsai, Program and Project Supervisor, Water Division, CPUC
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Ruth Yang, Senior Management Auditor, UAB, CPUC
Abdullah Alqatami, Staff Services Management Auditor, UAB, CPUC

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EXECUTIVE SUMMARY

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a review of the financial statements of Yosemite Spring Park Utility Company (YSPUC) as of December 31, 2023, pursuant to Public Utilities (PU) Code sections 314.5, 314.6, 581, 582, and 584 that provide CPUC the statutory authority to review or audit the books and records of 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).

Incorporated in California on December 26, 1969, as a non-profit mutual benefit C corporation,[1] YSPUC is a Class C water utility with 1,945 active metered service connections.[2] YSPUC is wholly owned by Yosemite Lakes Owners' Association (YLOA). Per YSPUC, its customer base consists of approximately 99 percent of YLOA's members and one percent of the general public. YSPUC's service area is located in the unincorporated community of Yosemite Lakes Park, located in Madera County, California.[3] As a regulated water utility, YSPUC is required to prepare its financial statements on accrual basis of accounting set forth in the Uniform System of Accounts (USOA) adopted in Decision (D.) 16-11-006 by 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 USOA. In conjunction with our review of the financial statements, UAB also reviewed, for regulatory purposes, whether YSPUC:

a) complied with PU Code section 818 regarding obtaining CPUC's approval before incurring any long-term debts;

b) complied with PU Code sections 431 and 433, and CPUC directives regarding CPUC Users Fee requirements; and

c) timely filed its 2023 Annual Report as required by CPUC Water Division's Memorandum dated February 8, 2024.

Based on our review, except for the balances of Cash, Cash–Special Deposits, Retained Earnings, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions, we are not aware of any material modifications that should be made to YSPUC's revised financial statements in order for them to be in accordance with the accounting framework prescribed by USOA. YSPUC's ending balances for Cash, Cash–Special Deposits, Other Credits, and Retained Earnings as presented in the accompanying financial statements, are materially misstated due to significant accounting errors and the lack of historical supporting documentation. In addition, YSPUC failed to report any balances for Contributions in Aid of Construction and Accumulated Amortization of Contributions in the accompanying financial statements. Without performing an in-depth review of YSPUC's historical accounting records since its inception, UAB is

[1] https://bizfileonline.sos.ca.gov/search/business
[2] YSPUC's 2023 Annual Report, Schedule D-4 – Number of Active Service Connections, Page 34
[3] CPUC Resolution W-4463, Page 1

unable to determine the cumulative effect of these misstatements on YSPUC's financial position and results of operations as of December 31, 2023.

For the regulatory compliance components identified above for the review period, our review determined that YSPUC:

a) complied with PU Code section 818 requirements regarding obtaining CPUC's approval before incurring any long-term debts;

b) failed to comply with PU Code sections 431 and 433 and CPUC directives regarding CPUC Users Fee requirements as described in Finding 10 in Appendix A–Review Findings and Recommendations; and

c) failed to comply with CPUC directive from Water Division to timely file its 2023 Annual Report by April 30, 2024, as described in Finding 11 in Appendix A–Review Findings and Recommendations.

During the review, UAB identified 11 findings, including eight findings summarizing material misstatements in YSPUC's 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024, and three noncompliance issues with regulatory requirements and USOA accounting requirements. These findings are described in Appendix A–Review Findings and Recommendations and summarized below:

- Finding 1: YSPUC's reported balances of $3,162,086 and $94,944 for Account 131–Cash and Account 132–Cash–Special Deposits, respectively, are materially misstated, and YSPUC failed to record and report account balances for Account 253–Other Credits, Account 265–Contributions in Aid of Construction, and Account 272–Accumulated Amortization of Contributions in its 2023 Annual Report due to various accounting errors.

- Finding 2: YSPUC's reported debit balance of $1,690,715 in Account 215–Retained Earnings is materially misstated in its 2023 Annual Report due to the cumulative effect of various accounting errors.

- Finding 3: YSPUC overstated Account 101–Water Plant in Service, Account 108–Accumulated Depreciation of Water Plant, Account 215–Retained Earnings, and Account 403–Depreciation Expense by $229,301, $18,146, $217,001, and $5,846, respectively, in its 2023 Annual Report due to incorrect reporting of assets and depreciation relating to leased assets.

- Finding 4: YSPUC overstated Account 224–Long-Term Debt, Account 230–Payables to Affiliated Companies, Account 232–Short-Term Notes Payable, and Account 426–Miscellaneous Non-Utility Expense by $46,266, $106,292, $48,706, and $7,310, respectively, and understated Account 211–Other Paid-in Capital and Account 215–Retained Earnings by $106,292 and $87,662, respectively, in its 2023 Annual Report due to incorrect reporting of liabilities and interests related to leased assets.

- Finding 5: YSPUC overstated Account 421–Non-Utility Income and Account 470–Metered Water Revenue by $8,931 and $33,026, respectively, and understated Account 215–Retained Earnings, Account 233–Customer Deposits, Account 265–Contributions in Aid of

Construction, Account 480–Other Water Revenue, and Account 688–Regulatory Commission Expense by $8,881, $4,350, $28,726, $13,940, and $13,940, respectively, in its 2023 Annual Report due to various accounting errors.

- Finding 6: YSPUC overstated Account 610–Purchased Water, Account 630–Employee Labor, Account 640–Materials, and Account 650–Contract Work by $466,231, $151,154, $42,997, and $222,791, respectively, and understated Account 236–Taxes Accrued, Account 408–Taxes Other than Income Taxes, Account 615–Power, Account 618–Other Volume Related Expenses, Account 671–Management Salaries, Account 674–Employee Pensions and Benefits, and Account 682–Professional Services by $16,867, $16,867, $421,258, $44,973, $123,470, $27,684, and $265,788, respectively, in its 2023 Annual Report due to various classification and accounting errors.

- Finding 7: YSPUC Account 141–Accounts Receivable–Customers by $23,722 and understated Account 676–Uncollectible Accounts Expense by the same amount in its 2023 Annual Report due to the omission of reporting bad debt expense

- Finding 8: YSPUC overstated Account 105.3–Construction Work in Progress–Other by $221,372 and understated Account 105–Construction Work in Progress by the same amount in its 2023 Annual Report due to classification error.

- Finding 9: YSPUC failed to comply with CPUC Resolution W-4463 and the accounting requirements of USOA pertaining to facilities fees by incorrectly applying CPUC Users Fee to facilities fees, not maintaining the facilities fees in an interest-bearing account, and not complying with the accounting treatment of facilities fees.

- Finding 10: YSPUC overbilled Users Fee totaling $10,766. Its failure to comply with CPUC Users Fee requirements is due to the use of an incorrect rate and the incorrect billing of CPUC Users Fee on charges not subject to CPUC Users Fee requirements. In addition, YSPUC filed a late and incomplete remittance of CPUC Users Fee to CPUC with unremitted balance of $12,590.

- Finding 11: YSPUC failed to comply with CPUC's Annual Report filing requirement. YSPUC filed its 2023 Annual Report on December 26, 2024, without obtaining the approval from CPUC's Water Division for a filing extension. In addition, YSPUC failed to file its 2019 to 2022 Annual Reports.

UAB discussed the above findings with YSPUC's management during fieldwork. YSPUC's management concurred with the findings and agreed to make appropriate adjusting journal entries to correct the misstatements identified above. YSPUC submitted its revised financial statements to CPUC's Water Division on September 12, 2025, to correct the material misstatements described in Appendix A of this report. UAB further discussed these findings with YSPUC's management at the exit conference on September 16, 2025, and YSPUC concurred with the review results. Except for the balances of Cash, Cash–Special Deposits, Retained Earnings, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions, UAB is not aware of any further material modifications that should be made to the accompanying financial statements.

UAB provided a draft review report to YSPUC for comments on September 18, 2025. Since YSPUC did not provide a written response, we are issuing the report as final. The review findings and recommendations presented in this report represent our final determination of this review engagement.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Cheryl Bluhm, President
Yosemite Spring Park Utility Company
30950-B Corral Drive
Coarsegold, CA 93614

Report on the Financial Statements

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has reviewed the accompanying financial statements of Yosemite Spring Park Utility Company (YSPUC), which comprise the balance sheet as of December 31, 2023, and the related statements 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 YSPUC'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

YSPUC'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, YSPUC'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 USOA. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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

Basis for Qualified Conclusion

As disclosed in Note 4 to the financial statements, USOA requires unspent facilities fees to be reported as Cash–Special Deposits and Other Credits and requires facilitates fees spent on plant improvement to be reported as Contributions in Aid of Construction, along with the related Accumulated Amortization of Contributions. In the accompanying financial statements:

- YSPUC incorrectly recorded unspent facilities fees as Metered Water Revenue instead of Other Credits for facilities fees collected prior to December 31, 2022.

- YSPUC incorrectly recorded facilities fees collected after 2018 as general cash instead of Cash–Special Deposits.

- Although YSPUC's 2006 through 2018 Annual Reports showed that it withdrew facilities fees totaling $505,204 for plant improvements, YSPUC has not reported these withdrawals as Contributions in Aid of Construction, nor has it reported the related Amortization of Contributions.

- YSPUC did not maintain any records to support activities related to facilities fees, such as deposits, interest earned, and withdrawals, in 2019 and 2020.

- As disclosed in Note 5 to the financial statements, YSPUC's reported deficit Retained Earnings balance in the accompanying financial statements is materially misstated. This misstatement resulted from the cumulative effect of materially misstated account balances for Cash, Cash–Special Deposits, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions due to significant accounting errors and the lack of historical supporting documentation.

The cumulative effects of these departures from USOA accounting requirements on YSPUC's financial position have not been determined by its management.

Qualified Conclusion

Based on our review, except for the effects of the matters described in the preceding Basis for Qualified Conclusion paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting framework prescribed by USOA.

Basis of Accounting

For regulatory purposes, 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. CPUC requires all water and sewer utilities to prepare their financial statements in accordance with the accounting framework prescribed by USOA. YSPUC's financial statements were prepared based on this regulatory requirement.

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

Emphasis of Matter–Correction of Material Misstatements

As discussed in Notes 2, 3, 6, 7, 8, 9, and 10 to the financial statements, UAB identified eight material misstatements in YSPUC's 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024. Except for the misstatements related to Cash, Cash–Special Deposits, Retained Earnings, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions, those misstatements have been corrected in the accompanying financial statements. Our conclusion is not modified with respect to this matter. As discussed in Notes 4 and 5 to the financial statements, UAB does not express a conclusion on the reported balances of Cash, Cash–Special Deposits, Retained Earnings, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions as of December 31, 2023,

in the accompanying financial statements. However, our conclusion to the rest of the accompanying financial statements is not modified with respect to this matter.

Other Matter–Views of Responsible Official

We discussed our review results with YSPUC's management during fieldwork. YSPUC's management concurred with the findings and agreed to make appropriate adjusting journal entries to its accounting records to correct the material misstatements described in Appendix A of this report. YSPUC submitted its revised financial statements to CPUC's Water Division on September 12, 2025, to correct the material misstatements. UAB further discussed these findings with YSPUC's management and its accountants at the exit conference on September 16, 2025, and YSPUC 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 YSPUC for comments on September 18, 2025. Since YSPUC did not provide a written response, we are issuing the report as final. 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

YSPUC's 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 no later than November 24, 2025. The CAP should include specific steps YSPUC will take to address UAB's findings and recommendations and a target date for implementing each specific corrective action. If YSPUC is unable to implement UAB's recommendations, the CAP should state the reason(s) for not being able to implement any of the recommendations. YSPUC should use the amounts reviewed by UAB as presented in this report as the basis when filing its 2024 Annual Report with CPUC.

Report on Other Regulatory Requirements

For regulatory purposes, UAB also reviewed whether YSPUC:

a) complied with PU Code section 818 regarding obtaining CPUC's approval before incurring any long-term debts;

b) complied with PU Code sections 431 and 433, and CPUC directives regarding CPUC Users Fee requirements; and

c) timely filed its 2023 Annual Report as required by CPUC Water Division's Memorandum dated February 8, 2024.

For the regulatory compliance components identified above for the review period, our review determined that YSPUC:

a) complied with PU Code section 818 requirements regarding obtaining CPUC's approval before incurring any long-term debts;

b) failed to comply with PU Code sections 431 and 433 and CPUC directives regarding CPUC Users Fee requirements as described in Finding 10 in Appendix A–Review Findings and Recommendations; and

c) failed to comply with CPUC directive from Water Division to timely file its 2023 Annual Report by April 30, 2024, as described in Finding 11 in Appendix A–Review Findings and Recommendations.

Furthermore, as described in Finding 9 in Appendix A of this report, YSPUC did not comply with CPUC Resolution W-4463 and the accounting requirements of USOA pertaining to facilities fees.

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 CPUC and the management of YSPUC, 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 CPUC's website at Audit Reports by Industry (ca.gov).

Angie Williams

Angie Williams, Director
Utility Audits, Risk and Compliance Division

Sacramento, CA
October 10, 2025

REVIEWED FINANCIAL STATEMENTS

Yosemite Spring Park Utility Company
Balance Sheet (As Reviewed)
As of December 31, 2023

ASSETS	
UTILITY PLANT	
Water Plant in Service (Note 2)	$13,236,962
Construction Work in Progress–Water Plant (Note 2)	221,372
Accumulated Depreciation of Water Plant (Note 2)	(8,324,111)
Net Utility Plant	5,134,223
CURRENT AND ACCRUED ASSETS	
Cash (Note 4)	3,162,086
Cash–Special Deposits (Note 4)	94,944
Accounts Receivable–Customers (Note 3)	368,011
Accumulated Provision for Uncollectible Accounts	(15,000)
Materials and Supplies	57,880
Other Current Assets	24,768
Total Current and Accrued Assets	3,692,689
Total Assets	**$8,826,912**
CAPITALIZATION AND LIABILITIES	
CORPORATE CAPITAL AND SURPLUS	
Common Stock	$80,000
Other Paid-in Capital (Note 10)	9,654,923
Retained Earnings (Note 5)	(1,880,563)
Total Capitalization	7,854,360
CURRENT AND ACCRUED LIABILITIES	
Payables to Affiliated Companies (Note 10)	737,783
Accounts Payable	62,281
Customer Deposits (Note 7)	5,013
Taxes Accrued (Note 8)	16,867
Other Current Liabilities	121,882
Total Current and Accrued Liabilities	943,826
CONTRIBUTIONS IN AID OF CONSTRUCTION	
Contributions in Aid of Construction (Notes 4 and 7)	28,726
Net Contributions in Aid of Construction	28,726
Total Equity and Liabilities	**$8,826,912**

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

Yosemite Spring Park Utility Company
Income Statement (As Reviewed)
For Year Ended December 31, 2023

OPERATING REVENUES	
Metered Water Revenue (Note 7)	$1,743,927
Other Water Revenue (Note 9)	13,940
Total Operating Revenue	1,757,867
OPERATING EXPENSES	
Plant Operation and Maintenance Expenses (Note 8)	
Power	466,231
Other Volume Related Expenses	44,973
Employee Labor	342,146
Materials	20,063
Contract Work (Note 10)	42,997
Transportation Expenses	60,008
Other Plant Maintenance Expenses	178,861
Total Plant Operation and Maintenance Expenses	1,155,279
Administrative and General Expenses (Note 8)	
Management Salaries	123,470
Employee Pensions and Benefits	96,592
Uncollectible Accounts Expense (Note 3)	23,722
Office Services and Rentals	825
Office Supplies and Expense	26,251
Professional Services (Note 10)	283,273
Insurance	55,755
Regulatory Commission Expense (Note 9)	30,245
General Expenses	99,789
Net Administrative and General Expenses	739,922
Total Operating Expenses	1,895,201
Depreciation Expense (Note 2)	491,840
Taxes Other Than Income Taxes (Note 8)	83,187
State Corporate Income Tax Expense	800
Total Operating Revenue Deductions	2,471,028
Total Utility Operating Loss	(713,161)
OTHER INCOME AND DEDUCTIONS	
Non-Utility Income (Note 7)	70,034
Total Other Income and Deductions	70,034
Net Loss	**($643,127)**

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

Yosemite Spring Park Utility Company
Statement of Retained Earnings (As Compiled)[4]
For Year Ended December 31, 2023

Retained Earnings, Beginning of Year	($1,116,978)
CREDITS:	
UAB Adjustment to Accumulated Depreciation	18,146
UAB Adjustment to Long-Term Debt	46,266
UAB Adjustment to Short-Term Notes Payable	48,706
UAB Adjustment to Non-Utility Income	8,931
Total Credits	122,049
DEBITS:	
Net Loss	(643,127)
UAB Adjustment to Water Plant in Service	(229,301)
UAB Adjustment to Depreciation Expense	(5,846)
UAB Adjustment to Miscellaneous Non-Utility Expense	(7,310)
UAB Adjustment to Customer Deposits	(50)
Total Debits	(885,634)
Retained Earnings, End of Year	**($1,880,563)**

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

[4] UAB compiled the Statement of Retained Earnings based on the reviewed Balance Sheet and Income Statement, and other relevant financial data.

Yosemite Spring Park Utility Company

Notes to Financial Statements

Incorporated in California on December 26, 1969, as a non-profit mutual benefit C corporation,[5] YSPUC is a Class C water utility with 1,945 active metered service connections.[6] YSPUC is wholly owned by YLOA. Per YSPUC, its customer base consists of approximately 99 percent of YLOA's members and one percent of the general public. YSPUC's service area is located in the unincorporated community of Yosemite Lakes Park, located in Madera County, California.[7]

Significant Accounting Policies

The accompanying financial statements of YSPUC were prepared on the basis of accounting set forth in the Uniform System of Accounts (USOA) for Water Utilities. Regulated water utilities are required to prepare their financial statements on accrual basis of accounting set forth in USOA adopted in Decision (D.) 16-11-006 by 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 CPUC for ratemaking and other compliance purposes.

2. Property, Plant and Equipment

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 methods.

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

[5] https://bizfileonline.sos.ca.gov/search/business
[6] YSPUC's 2023 Annual Report, Schedule D-4 – Number of Active Service Connections, Page 34
[7] CPUC Resolution W-4463, Page 1

to comply with CPUC's Standard Practice (SP) U-4-SM and SP U-4-M when determining depreciation accruals. Specifically, a utility with total water plant over $100,000 must maintain separate depreciation reserve by different plant accounts in accordance with Appendix B1 of SP U-4-SM; for a utility with total water plant less than $100,000, it can elect not to separate or maintain the depreciation reserve by accounts, but to develop a composite value for remaining life for the entire plant in accordance with Appendix B2 or B3 of SP U-4-SM. 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.[8] A utility must obtain prior written approval from CPUC for any practice that deviates from the aforementioned SPs.

YSPUC utilizes straight-line depreciation method over the remaining useful life of the asset.

(2) Asset Retirement

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

YSPUC did not retire any plant during the review period.

(3) Sale and Acquisition of Properties

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

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

YSPUC reported $438,860 of plant additions during the review period, which consisted primarily of wells and transportation equipment.

YLOA leased two pieces of equipment totaling $229,301, which consisted of an Excavator of $54,701 and an Asphalt Zipper of $174,600, that are used exclusively by YSPUC. YSPUC reimburses the annual lease and related interest payments to YLOA. However, YSPUC neither owns nor has a sublease agreement with YLOA for the leased assets and should not have recorded and reported the assets totaling $229,301 and related accumulated depreciation of $18,146 in its Balance Sheet. Of the $18,146 accumulated depreciation, $5,846 is the current year depreciation. As a result, YSPUC overstated Account 101–Water Plant in Service, Account 108–Accumulated

[8] D.16.11-006 dated November 10, 2016, General Accounting Instructions 4 on Page B14.

Depreciation of Water Plant, Account 215–Retained Earnings, and Account 403–Depreciation Expense by $229,301, $18,146, $217,001, and $5,846, respectively. However, YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

In addition, YPSUC misclassified utility-funded Construction Work in Progress as Construction Work in Progress–Other instead of reporting it as Account 105–Construction Work in Progress. As a result, YSPUC overstated Account 105.3–Construction Work in Progress–Other by $221,372 and understated Account 105–Construction Work in Progress by the same amount. However, YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

3. Accounts Receivable

YSPUC reported a balance of $391,733 for Accounts Receivable in its 2023 Annual Report. Based on YSPUC's explanation and our review of the supporting documents, $23,722 of the reported balance should have been classified as uncollectible due to previous system errors. As a result, YSPUC overstated Account 141–Accounts Receivable–Customers by $23,722 and understated Account 676–Uncollectible Accounts Expense by the same amount. However, YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

4. Facilities Fees

Under GAAP, if the restricted funds are considered to offset the current liability, the funds may be included as current asset classification. If the funds are set aside for use in the near future for the liquidation of long-term debts, payments to sinking funds, then the funds should be classified as non-current assets. If unsure of the timing of the use, the restricted cash can be classified to Other Assets.

Under USOA, the restricted funds are recorded to Account 132, Cash–Special Deposits, which should include cash amounts set aside from general corporate funds, deposited in a separate account with fiscal agents or others, and designated for a special use. A separate subaccount shall be maintained for each designated special use. Interest earned from this account shall be credited to Account 421, Non-Utility Income.

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

(1) Facilities Fees

Facilities Fees are fees collected from ratepayers for the purpose of recovering a certain amount of revenue to offset certain facilities or improvements that are required to serve additional customers. Ordering Paragraph (OP) 3 of D.91-04-068 granted authority to Class C and Class D water utilities, and to districts of Class A and B water utilities with 2,000 or fewer service connections, to institute facilities fees as a part of their requests for a general

increase in rates. Through Resolution W-4110, CPUC granted authority to all Class D water utilities to file generic tariffs to charge fees for new connections for the purpose of generating funds to build a new plant or replace deteriorated plant. Facilities fees received by a water utility shall be deposited in Account 132, Cash–Special Deposits and credited to Account 253, Other Credits. At the time these fees are used for water plant improvements, Account 101, Water Plant in Service shall be debited and Account 132, Cash–Special Deposits credited. Concurrently, Account 253, Other Credits shall be debited and Account 265.7, All Other Contributions in Aid of Construction credited. The annual depreciation and amortization of the facilities fees plant additions shall be debited to Account 272, Accumulated Amortization of Contributions, and credited to Account 108.3, Accumulated Depreciation of Water Plant–Other. The use of facilities fees should be in compliance with SP U-28-W.

YSPUC's reported balances of $3,162,086 and $94,944 for Account 131–Cash and Account 132–Cash–Special Deposits, respectively, are materially misstated in its 2023 Annual Report. In addition, YSPUC failed to record and report account balances for Account 253–Other Credits, Account 265–Contributions in Aid of Construction, and Account 272–Accumulated Amortization of Contributions in its 2023 Annual Report. Our review of YSPUC's accounting records and inquiry with its personnel disclosed the following accounting errors:

- YSPUC reported $94,944 of unspent facilities fees as Cash–Special Deposits in its 2023 Annual Report. However, YSPUC failed to record and report the corresponding amount in Account 253–Other Credits in compliance with the accounting requirements of USOA.

- YSPUC incorrectly recorded and reported $166,950 of facilities fees it received between 2021 to 2023 as general Cash and Metered Water Revenues instead of Cash–Special Deposits and Other Credits. In addition, although YSPUC recorded and reported $166,950 of facilities fees, its 2021 to 2023 Facilities Fees Schedule showed that it received $172,559 of facilities fees, resulting in a variance of $5,609. Additionally, YSPUC did not update Schedule E-2–Facilities Fees Data in its 2023 Annual Report to show $172,559 facilities fees received between 2021 and 2023.

- Although Schedule E-2–Facilities Fees Data in YSPUC's 2018 Annual Report shows a balance of $94,905 for unspent facilities fees as of December 31, 2018, YSPUC does not have documentation to support this balance. Furthermore, YSPUC does not have any records to support activities related to facilities fees, such as deposits, interest earned, and withdrawals, that occurred in 2019 and 2020.

- YSPUC's 2006 through 2018 Annual Reports showed that it withdrew facilities fees totaling $505,204 for plant improvements, which should have been reported as Contributions in Aid of Construction with the related amortization reported as Accumulated Amortization of Contributions. However, as of December 31, 2023, YSPUC did not record and report balances for Account 265–Contributions in Aid of Construction and Account 272–Accumulated Amortization of Contributions.

As a result, Cash, Cash–Special Deposits, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions accounts are materially misstated. YSPUC's management has yet to determine the cumulative effect of these misstatements on YSPUC's financial position and results of operations as of December 31, 2023. Without performing an in-

depth review of YSPUC's historical accounting records, the cumulative impact of the noted accounting errors on YSPUC's Cash, Cash–Special Deposits, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions accounts cannot be determined. Determining the cumulative impact on these account balances as of December 31, 2023, would require UAB to obtain additional information and perform extensive analyses going beyond the scope of this engagement.

5. Retained Earnings

YSPUC's reported debit balance of $1,690,715 for Account 215–Retained Earnings is materially misstated in its 2023 Annual Report due to the following accounting errors:

- As detailed in Findings 3 through 5, YSPUC understated its Retained Earnings balance in its 2023 Annual Report by $120,458 due to cumulative accounting errors as detailed in the table below:

Description	Debit/ (Credit)	Finding
UAB Adjustment to Water Plant in Service and Accumulated Depreciation	$217,001	Finding 3
UAB Adjustment to Long-Term Debt, Short-Term Notes Payable and Miscellaneous Non-Utility Expense	(87,662)	Finding 4
UAB Adjustment to Non-Utility Income and Metered Water Revenue	(8,881)	Finding 5
Total	**($120,458)**	

These errors were corrected in YSPUC's Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

- As detailed in Findings 3 through 7, UAB identified misstatements that understated the net loss by $69,390 in YSPUC's Income Statement in its 2023 Annual Report as detailed below:

Description	Debit/ (Credit)	Finding
Overstated Depreciation Expense	($5,846)	Finding 3
Overstated Miscellaneous Non-Utility Expense	(7,310)	Finding 4
Overstated Metered Water Revenue	33,026	Finding 5
Understated Other Water Revenue	(13,940)	Finding 5
Understated Regulatory Commission Expense	13,940	Finding 5
Understated Non-Utility Income	8,931	Finding 5
Understated Taxes Other Than Income Taxes	16,867	Finding 6
Understated Uncollectible Accounts Expense	23,722	Finding 7
Total	**$69,390**	

- As described in Finding 1, the materially misstated account balances of Cash, Cash–Special Deposits, Other Credits, Contributions in Aid of Construction, and Accumulated

Amortization of Contributions also materially impacted the balance of Retained Earnings as of December 31, 2023.

YSPUC's management has yet to determine the cumulative effect of these misstatements on its financial position as of December 31, 2023. Without performing an in-depth review of YSPUC's historical accounting records, the cumulative impact of the noted accounting errors on YSPUC's Retained Earnings cannot be determined. Determining the cumulative impact on this account balance as of December 31, 2023, would require UAB to obtain additional information and perform extensive analyses going beyond the scope of this engagement.

6. Liabilities

As documented in Note 2 to the Financial Statements, YLOA leased two pieces of equipment for YSPUC. As of December 31, 2023, the lease liability outstanding is $94,972. YSPUC reported the current and non-current portions of $48,706 and $46,266, respectively, as Short-Term Notes Payable and Long-Term Debt, respectively, in its 2023 Annual Report. Since YSPUC neither owns nor has a sublease agreement with YLOA for the leased assets, YSPUC should not have recorded the lease liability in its Balance Sheet. As a result, YSPUC overstated Account 224–Long-Term Debt and Account 232–Short-Term Notes Payable by $46,266 and $48,706, respectively, and understated Account 215–Retained Earnings by $94,972 in its 2023 Annual Report. However, YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

7. Revenues

YSPUC overstated Account 421–Non-Utility Income and Account 470–Metered Water Revenue by $8,931 and $33,026, respectively, and understated Account 215–Retained Earnings, Account 233–Customer Deposits, and Account 265–Contributions in Aid of Construction, by $8,881, $4,350, and $28,726, respectively, in its 2023 Annual Report due to various accounting errors.

- YSPUC incorrectly reported $28,726 of facilities fees as part of Metered Water Revenue instead of Contributions in Aid of Construction.

- YSPUC incorrectly reported deposits for re-establishment of credits as part of Metered Water Revenue instead of Customer Deposits. Our review of YSPUC's supporting documentation disclosed that YSPUC billed re-establishment fees of $50 and $4,300 in 2022 and 2023, respectively.

- YSPUC reported $8,931 of net payment plan income as Non-Utility Income. However, per YSPUC's accountant, the net payment plan amount should be zero.

In addition, YSPUC's billing software used in 2023 could not generate sales reports to break down water revenues by customer classification. Therefore, YSPUC misclassified all revenues for metered water supplied to residential customers, commercial customers, and irrigation purposes to Account 470–Metered Water Revenue instead of reporting each customer classification to the proper sub-accounts. However, there is no overall impact on the reported total Metered Water Revenue.

YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

8. Expenses

YSPUC overstated Account 610–Purchased Water, Account 630–Employee Labor, Account 640–Materials by $466,231, $151,154, and $42,997, respectively, and understated Account 236–Taxes Accrued, Account 408–Taxes Other than Income Taxes, Account 615–Power, Account 618–Other Volume Related Expenses, Account 650–Contract Work, Account 671–Management Salaries, Account 674–Employee Pensions and Benefits, and Account 682–Professional Services by $16,867, $16,867, $421,258, $44,973, $30,997, $123,470, $27,684, and $12,000, respectively, in its 2023 Annual Report due to various accounting errors.

- YSPUC misclassified power expenses as Purchased Water instead of reporting them as Power. As a result, YSPUC overstated Purchased Water by $466,231 and understated Power by the same amount.

- YSPUC misclassified chemicals used in water treatment as Power instead of reporting them as Other Volume Related Expenses. As a result, YSPUC overstated Power by $44,973 and understated Other Volume Related Expenses by the same amount.

- YSPUC misclassified repair and maintenance expenses paid to contractors as Materials instead of reporting them as Contract Work. As a result, YSPUC overstated Materials by $42,997 and understated Contract Work by the same amount.

- YSPUC misclassified salaries paid to a manager and accrued employee benefits as Employee Labor. As a result, YSPUC overstated Employee Labor by $151,154 and understated Management Salaries and Employee Pensions and Benefits by $123,470 and $27,684, respectively.

- YSPUC misclassified software training and support expenses as Contract Work instead of reporting them as Professional Services. As a result, YSPUC overstated by Contract Work $12,000 and understated Professional Services by the same amount.

- YSPUC omitted reporting property taxes of $16,867 for the period of July 2023 to December 2023 as an expense and liability in its 2023 Annual Report.

However, YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

9. CPUC Users Fee

PU Code sections 401 through 410 authorized CPUC to set a fee annually to water utilities to cover the costs incurred by CPUC in regulating them. USOA requires water utilities to credit regular

operating revenue accounts with amounts of CPUC Users Fee billed to customers and charge Account 688, Regulatory Commission Expense, with fees paid to CPUC. [9]

For the review period, YSPUC failed to comply with the CPUC Users Fee requirements due to the following errors:

- YSPUC incorrectly used a rate of 1.5 percent to calculate its billed CPUC Users Fee from January to October 2023 instead of using 0.8 percent as established in CPUC Resolution M-4866, issued on December 16, 2022. YSPUC also incorrectly applied and billed CPUC Users Fee to new meter connection fees, facilities fees, and re-establishment fees that are not subject to CPUC Users Fee requirement. As a result, YSPUC overbilled its customers for CPUC Users Fee in 2023 by $10,766.

- YSPUC under-remitted CPUC Users Fee payments to CPUC by $12,590 due to the incorrect remittance of only one of the required four CPUC Users Fee payments in the amount of $1,350 to CPUC in 2023. Also, YSPUC failed to remit CPUC Users Fee payments in 2022.

- YSPUC incorrectly recorded and reported CPUC Users Fee as a pass-through activity instead of reporting them in the proper revenue and expense accounts. As a result, YSPUC understated Other Water Revenue and Regulatory Commission Expense by $13,940 each. However, YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

10. Affiliated Transactions

Affiliated companies are all entities, including any holding companies, that are under direct or indirect common ownership or control with a water utility regulated by CPUC. Water and sewer utilities are required to comply with the rules specified in D.10-10-019 and SP U-21-W for all transactions with its affiliates.

Rule 12 of SP U-21-W states, in part, that, "Water Utility shall file with the Commission each year a report which includes a summary of all transactions between Water Utility and its affiliated companies for the previous calendar year…."

YSPUC is wholly owned by YLOA. YLOA's seven Board of Directors (BOD) make shareholders' decisions for YSPUC such as appointing YSPUC's seven BOD. YSPUC's BOD has oversight on YSPUC while its General Manager manages the day-to-day operations with its Operating Manager's assistance. YSPUC's customer base consists of 99 percent YLOA's members who own lots in YLOA's association. YSPUC also owns 15 lots and pays homeowner association due to YLOA. YSPUC paid a total of $29,355 in homeowner association due to YLOA as of December 31, 2023.

YLOA provided accounting, billing, administrative and customer services to YSPUC for a monthly flat rate of $21,149. YSPUC incorrectly reported a total of $253,788 expenses related to the services provided by YLOA as Contract Work instead of reporting them as Professional Services. As a result, YSPUC overstated Contract Work by $253,788 and understated Professional Services by the

[9] D.16.11-006 dated November 10, 2016, General Accounting Instructions 9 on Pages B18 and B19.

same amount. However, YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

YSPUC also used YLOA's Employer Identification Number to pay its employees' salaries. YSPUC reimburses YLOA the payroll expenses on a recurring basis. Any amounts leftover is recorded and reported as Payables to Affiliated Companies. YSPUC originally reported $844,075 of Payables to Affiliated Companies in its 2023 Annual Report. Of this amount, YSPUC was not expected to pay $106,292 of annual lease payments to YLOA. Therefore, YSPUC should not report the current liabilities of the lease payments owed to YLOA in Payables to Affiliated Companies and should not report the related interest expense of $7,310 in Miscellaneous Non-Utility Expense. As a result, YSPUC overstated Account 215–Retained Earnings, Account 230–Payables to Affiliated Companies and Account 426–Miscellaneous Non-Utility Expense by $7,310, $106,292 and $7,310, respectively, and understated Account 211–Other Paid-in Capital by $106,292 in its 2023 Annual Report. However, YSPUC incorporated UAB's proposed adjustments and corrected the noted misstatements in its Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025. Therefore, as of December 31, 2023, YSPUC reported $737,783 of liabilities owed to YLOA in Account 230–Payables to Affiliated Companies in the accompanying financial statements, which consisted of the following:

Description	Amount
Funds deposited to YSPUC in error	$145,185
Operating and Pipeline Expenses paid by YLOA	59,335
Payroll and Contracted wages liabilities	533,263
Total	**$737,783**

11. Other Matters

YSPUC's management disclosed to UAB regarding an incident that occurred during the review period. A former YSPUC employee's Treatment Grade 2 Operator Certificate (T2 Certificate) expired in November 2017; however, the employee continued to operate YSPUC's water distribution and treatment system during the review period with the expired T2 Certificate. Another employee affected by this incident reported it to YSPUC's Board, who subsequently reported the matter to the State Water Resources Control Board (SWRCB). The SWRCB investigated this incident and communicated the results to YSPUC. This issue has been resolved. This incident has no impact on the accompanying financial statements.

In addition, YSPUC disclosed to UAB regarding a potential misuse of YSPUC and YLOA's funds. YSPUC and YLOA are jointly investigating the matter. YSPUC's management has yet to determine the potential impact of this incident on its financial records.

12. Form of Financial Statements [10]

(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

[10] Regulated Utilities Manual—A Service for Regulated Utilities by Deloitte & Touché USA LLP, Pages 36-37.

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 (FASB) 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 USOA is an accounting framework other than GAAP for regulatory purpose, the Statement of Cash Flows is not required and therefore excluded from this review report.

14. Compliance with Resolution W-4463 and USOA Accounting Requirements

YSPUC failed to comply with CPUC Resolution W-4463 and the accounting requirements of USOA pertaining to facilities fees as summarized below.

- Resolution W-4463, dated March 16, 2004, states that facilities fees are not subject to CPUC Users Fee. However, YSPUC incorrectly applied and billed CPUC Users Fee pertaining to facilities fees.

- Resolution W-4463 requires facilities fees to be deposited into an interest-bearing bank account. However, YSPUC's management stated that the reported facilities fees of $94,944 in its 2023 Annual Report were in a non-interest-bearing bank account as of December 31, 2023.

- YSPUC did not comply with the accounting treatment of facilities fees as required by USOA and Resolution W-4463.

    - USOA requires facilities fees received be recorded and reported as Cash–Special Deposits and Other Credits. However, YSPUC failed to record and report all facilities fees received but unspent as Cash–Special Deposits, while also failed to record and report the corresponding amount as Other Credits.

- USOA and Resolution W-4463 require that interest earned on the balance of facilities fees collected be reported as Cash–Special Deposits and Non-Utility Income. Due to the misclassification of facilities fees received from 2021 to 2023 as general Cash instead of Cash–Special Deposits and the lack of supporting documentation for 2019 to 2020, UAB was unable to determine the amount of interests accrued for facilities fees. However, based on our discussion with YSPUC, this accounting treatment for interests earned from facilities fees may not have been included in their accounting process.

- USOA and Resolution W-4463 require that facilities fees spent on water plant improvements be recorded and reported as Water Plant in Service and Contributions in Aid of Construction. However, YSPUC failed to record and report a balance for Contributions in Aid of Construction as described in Finding 1.

- USOA requires that the annual depreciation and amortization of facilities fees be reported as Accumulated Amortization of Contributions and Accumulated Depreciation of Water Plant. However, YSPUC failed to record and report a balance for Accumulated Amortization of Contributions in its 2023 Annual Report as described in Finding 1.

15. Compliance filing of 2023 Annual Report with CPUC

PU Code sections 581, 582, and 584, and 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 CPUC every year. For the year being reviewed, YSPUC failed to comply with these requirements. YSPUC filed its 2023 Annual Report on December 26, 2024, without obtaining the approval from CPUC's Water Division for a filing extension. In addition, as of December 31, 2023, YSPUC had not filed its 2019 to 2022 Annual Reports with CPUC as required by CPUC directives and General Order No. 104-A.

APPENDIX A–REVIEW FINDINGS AND RECOMMENDATIONS

Finding 1: Misstated Facilities Fees

Condition:
YSPUC's reported balances of $3,162,086 and $94,944 for Account 131–Cash and Account 132–Cash–Special Deposits, respectively, are materially misstated in its 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024. In addition, YSPUC failed to record and report account balances for Account 253–Other Credits, Account 265–Contributions in Aid of Construction, and Account 272–Accumulated Amortization of Contributions in its 2023 Annual Report. Our review of YSPUC's accounting records and inquiry with its personnel disclosed the following accounting errors:

- YSPUC reported $94,944 of unspent facilities fees as Cash–Special Deposits in its 2023 Annual Report. However, YSPUC failed to record and report the corresponding amount in Account 253–Other Credits in compliance with the accounting requirements of USOA and Resolution W-4463.

- YSPUC incorrectly recorded and reported $166,950 of facilities fees it received between 2021 to 2023 as general Cash and Metered Water Revenues instead of Cash–Special Deposits and Other Credits. Of the $166,950, $28,726 of facilities fees received and spent in 2023 were incorrectly reported as Metered Water Revenues instead of Contributions in Aid of Construction as identified in Finding 5. In addition, although YSPUC recorded and reported $166,950 of facilities fees, its 2021 to 2023 Facilities Fees Schedule showed that it received $172,559 of facilities fees, resulting in a variance of $5,609. Additionally, YSPUC did not update Schedule E-2–Facilities Fees Data in its 2023 Annual Report to show $172,559 facilities fees received between 2021 and 2023.

- Although Schedule E-2–Facilities Fees Data in YSPUC's 2018 Annual Report shows a balance of $94,905 for unspent facilities fees as of December 31, 2018, YSPUC does not have documentation to support this balance.

- YSPUC does not have any records to support activities related to facilities fees, such as deposits, interest earned, and withdrawals, that occurred in 2019 and 2020. Due to the misclassification of facilities fees received from 2021 to 2023 as general Cash instead of Cash–Special Deposits and the lack of supporting documentation for 2019 to 2020, UAB was unable to determine the amount of interests accrued for facilities fees and whether the interests are properly reported in compliance with the accounting requirements of USOA and Resolution W-4463. Also, based on our discussion with YSPUC, this accounting treatment for interests earned from facilities fees may not have been included in their accounting process.

- YSPUC's 2006 through 2018 Annual Reports showed that it withdrew facilities fees totaling $505,204 for plant improvements, which should have been reported as Contributions in Aid of Construction with the related amortization reported as Accumulated Amortization of Contributions in compliance with the accounting requirements of USOA and Resolution W-4463. However, as of December 31, 2023, YSPUC did not record and report balances

for Account 265–Contributions in Aid of Construction and Account 272–Accumulated Amortization of Contributions.

As a result, Cash, Cash–Special Deposits, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions accounts are materially misstated. YSPUC's management has yet to determine the cumulative effect of these misstatements on YSPUC's financial position and results of operations as of December 31, 2023. Without performing an in-depth review of YSPUC's historical accounting records, the cumulative impact of the noted accounting errors on YSPUC's Cash, Cash–Special Deposits, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions accounts cannot be determined. Determining the cumulative impact on these account balances as of December 31, 2023, would require UAB to obtain additional information and perform extensive analyses going beyond the scope of this engagement.

Criteria:
USOA states, in part, that:

2. General Accounting Instructions
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.

10. Facilities Fees
C. When facilities fees are received by a water utility, the amount received shall be deposited in Account 132 – Cash-Special deposits and credited to Account 253 – Deferred Credits. Interest earned on these fees shall be debited to Account 132-Cash-Special Deposits and credited to Account 421 – Non-Utility Income.

D. At the time these fees are used for water plant improvements, Account 101 – Water Plant in Service shall be debited and Account 132 – Cash – Special Deposits credited. Concurrently, Account 253 Other Credits shall be debited and Account 265.7 – Contributions in Aid of Construction credited.

E. The annual depreciation and amortization of the facilities fees plant additions shall be debited to Account 265.7 and credited to Account 108.3 Accumulated Depreciation of Water Plant.

5. Contributions in Aid of Construction
A. Non-refundable contributions of cash or plant facilities donated to the water utility to assist it in constructing, extending or relocating its water facilities shall be credited to an appropriate subaccount of Account 265, Contributions in Aid of Construction. (See Account 265 for description of items includible in this account.)

B. Balances in this account representing contributions of depreciable plant shall be written off over a period equal to the estimated service life of the property involved by charges to an appropriate subaccount of Account 272, Accumulated Amortization

> of Contributions (instead of to account 403, Depreciation Expense), with contra credits to and credit to an appropriate subaccount of Account 108, Accumulated Depreciation of Water Plant. The charges to this account shall continue until such time as the balance in this account applicable to such properties has been completely amortized. The balance in the account applicable to non-depreciable property shall remain unchanged until such time as the property is sold or otherwise retired.

Resolution W-4463 effective March 16, 2004, Appendix B, Schedule No. F–Facilities Fees states, in part, that:

> **Special Conditions**
> 2. Payments made under this schedule are not subject to the reimbursement fee set forth in Schedule No. UF.
>
> 3. Facilities fees authorized herein shall be deposited within five days of receipt in a separate bank account paying interest. A direct confirmation from the bank shall be mailed to the Director of the Water Division after making such deposit to verify the amount deposited.
>
> 4. Facilities fees shall be treated as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to qualify as such.
>
> 5. Facilities fees shall be accounted for as Contributions-in-Aid-of-Construction in accordance with the Commission's prescribed Uniform System of Accounts. In addition the balance of facilities fees collected, including interest shall be reported in utility's annual report to the Commission.

Cause:
YSPUC lacks monitoring and review procedures for its accounting and reporting process to ensure that it:

- properly and accurately records and reports facilities fees received that remained unspent to the proper accounts in compliance with the accounting requirements of USOA;
- properly and accurately records and reports facilities fees spent on water plants and plant improvements to the proper accounts in compliance with the accounting requirements of USOA;
- properly and accurately records and reports depreciation for contributed plants funded through facilities fees to the proper accounts in compliance with the accounting requirements of USOA;
- accurately and completely reports facilities fees activities in Schedule E-2–Facilities Fees Data of the Annual Reports; and
- maintains adequate historical documentation to support facilities fees activities.

Effect:
YSPUC's management has yet to determine the effects of these misstatements on YSPUC's financial position and results of operations as of December 31, 2023.

Inaccurate reporting of facilities fees in Cash–Special Deposits, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions in the Annual Report, which may be used during YSPUC's General Rate Case (GRC) application review process, could potentially impact water rates for YSPUC's ratepayers.

In addition, the comingling of facilities fees in both Cash and Cash–Special Deposits distorted YSPUC's restricted cash as of December 31, 2023, which could potentially be spent for unallowable purposes.

Recommendations:
YSPUC should establish and implement monitoring and review procedures for its accounting and reporting process to ensure that it:

- properly and accurately records and reports facilities fees received that remained unspent to the proper accounts in compliance with the accounting requirements of USOA;
- properly and accurately records and reports facilities fees spent on water plants and plant improvements to the proper accounts in compliance with the accounting requirements of USOA;
- properly and accurately records and reports depreciation for contributed plants funded through facilities fees to the proper accounts in compliance with the accounting requirements of USOA;
- accurately and completely reports facilities fees activities in Schedule E-2–Facilities Fees Data of the Annual Reports; and
- maintains adequate historical documentation to support facilities fees activities.

Finding 2: Misstated Retained Earnings

Condition:
YSPUC's reported debit balance of $1,690,715 for Account 215–Retained Earnings is materially misstated in its 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024, due to the following accounting errors:

- As detailed in Findings 3 through 5, YSPUC understated its Retained Earnings balance in its 2023 Annual Report by $120,458 due to cumulative accounting errors as detailed in the table below:

Description	Debit/ (Credit)	Finding
UAB Adjustment to Water Plant in Service and Accumulated Depreciation	$217,001	Finding 3
UAB Adjustment to Long-Term Debt, Short-Term Notes Payable and Miscellaneous Non-Utility Expense	(87,662)	Finding 4
UAB Adjustment to Non-Utility Income and Metered Water Revenue	(8,881)	Finding 5
Total	**($120,458)**	

These errors were corrected in YSPUC's Revised 2023 Annual Report submitted to CPUC's Water Division on September 12, 2025.

- As detailed in Findings 3 through 7, UAB identified misstatements that understated the net loss by $69,390 in YSPUC's Income Statement in its 2023 Annual Report as detailed below:

Description	Debit/ (Credit)	Finding
Overstated Depreciation Expense	($5,846)	Finding 3
Overstated Miscellaneous Non-Utility Expense	(7,310)	Finding 4
Overstated Metered Water Revenue	33,026	Finding 5
Understated Other Water Revenue	(13,940)	Finding 5
Understated Regulatory Commission Expense	13,940	Finding 5
Understated Non-Utility Income	8,931	Finding 5
Understated Taxes Other Than Income Taxes	16,867	Finding 6
Understated Uncollectible Accounts Expense	23,722	Finding 7
Total	**$69,390**	

- As described in Finding 1, the materially misstated account balances of Cash, Cash–Special Deposits, Other Credits, Contributions in Aid of Construction, and Accumulated Amortization of Contributions also materially impacted the balance of Retained Earnings as of December 31, 2023.

YSPUC's management has yet to determine the cumulative effect of these misstatements on its financial position as of December 31, 2023. Without performing an in-depth review of YSPUC's historical accounting records, the cumulative impact of the noted accounting errors on YSPUC's Retained Earnings cannot be determined. Determining the cumulative impact on this account balance as of December 31, 2023, would require UAB to obtain additional information and perform extensive analyses going beyond the scope of this engagement.

Criteria:
USOA states, in part, that:

> **2. General Accounting Instructions**
> 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.

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.

Cause:
YSPUC lacks monitoring and review procedures for its accounting and reporting process to ensure that it prevents, timely detects and corrects accounting errors, and maintains adequate accounting records to support all account balances reported in its Annual Reports in compliance with the accounting requirements of USOA.

Effect:
YSPUC's management has yet to determine the effects of these misstatements on YSPUC's financial position as of December 31, 2023.

Inaccurate reporting of Retained Earnings distorted YSPUC's financial position as of December 31, 2023, and reduced the comparability of YSPUC's financial statements with other small water utilities. Consistent financial presentation among small water utilities aids decision makers in analyzing the performance and financial position of YSPUC relative to other small water utilities in California.

Recommendation:
YSPUC should establish and implement monitoring and review procedures for its accounting and reporting process to ensure that it prevents, timely detects and corrects accounting errors, and maintains adequate accounting records to support all account balances reported in its Annual Reports in compliance with the accounting requirements of USOA.

Finding 3: Incorrectly Recorded and Reported Leased Assets and Depreciation

Condition:
YSPUC overstated Account 101–Water Plant in Service, Account 108–Accumulated Depreciation of Water Plant, Account 215–Retained Earnings, and Account 403–Depreciation Expense by $229,301, $18,146, $217,001, and $5,846, respectively, in its 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024. YLOA leased two pieces of equipment totaling $229,301, which consisted of an excavator of $54,701 and an asphalt zipper of $174,600, that are used exclusively by YSPUC. Our review of YSPUC's underlying accounting records and discussion with YSPUC disclosed accounting errors as summarized in the table below.

Description	Overstated/(Understated) Acct 101	Acct 108	Acct 215	Acct 403
YSPUC incorrectly recorded and reported $229,301 leased assets as part of Water Plant in Service in its 2023 Annual Report. YSPUC neither owns nor has a sublease agreement with YLOA for the leased assets and should not have recorded and reported these assets.	$229,301		$229,301	
YSPUC incorrectly recorded and reported $18,146 of Accumulated Depreciation, which consisted of $11,549 for the excavator and $6,597 for the asphalt zipper. Of the reported Accumulated Depreciation, $5,846 is depreciation for the current year.		$18,146	(12,300)	$5,846
Total	**$229,301**	**$18,146**	**$217,001**	**$5,846**

UAB proposed, and YSPUC agreed and incorporated, the following adjusting entry to correct the misstatements identified above:

Adj. No.	Acct. No.	Description	DR	CR
1	108	Accumulated Depreciation of Water Plant	$18,146	
	215	Retained Earnings	217,001	
	101	Water Plant in Service		$229,301
	403	Depreciation Expense		5,846
		To remove balances for assets and depreciation related to assets not owned nor leased by YSPUC from its accounting records.		

YSPUC applied this adjusting journal entry to correct its books and submitted a Revised 2023 Annual Report to CPUC's Water Division on September 12, 2025.

Criteria:
USOA states, in part, that:

> **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.

Cause:
YSPUC lacks monitoring and review procedures for its accounting and reporting process to ensure that it properly records and reports assets and related depreciation in compliance with the accounting requirements of USOA.

Effect:
Inaccurate reporting of Water Plant in Service, Accumulated Depreciation, and Depreciation Expense in YSPUC's Annual Report, which may be used during YSPUC's GRC application review process, could potentially impact water rates for YSPUC's ratepayers.

Recommendation:
YSPUC should establish and implement monitoring and review procedures for its accounting and reporting process to ensure that it properly records and reports assets and related depreciation in compliance with the accounting requirements of USOA.

Finding 4: Incorrectly Recorded and Reported Leased Liabilities and Interests

Condition:
YSPUC overstated Account 224–Long-Term Debt, Account 230–Payables to Affiliated Companies, Account 232–Short-Term Notes Payable, and Account 426–Miscellaneous Non-Utility Expense by $46,266, $106,292, $48,706, and $7,310, respectively, and understated Account 211–Other Paid-in Capital and Account 215–Retained Earnings by $106,292 and $87,662, respectively, in its 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024. As described in Finding 3, YLOA leased two pieces of equipment totaling $229,301 that are used exclusively by YSPUC. YSPUC is required to reimburse the annual lease and related interest payments to YLOA. Our review of YSPUC's underlying accounting records and discussion with YSPUC disclosed accounting errors as summarized in the table below.

Description	Overstated/(Understated)					
	Acct 211	Acct 215	Acct 224	Acct 230	Acct 232	Acct 426
YSPUC incorrectly recorded and reported $48,706 as the current portion and $46,266 as the non-current portion of the lease liability as Short-Term Notes Payable and Long-Term Debt, respectively, in its 2023 Annual Report. YSPUC does not have a sublease agreement with YLOA and therefore should not have recognized the lease liability in its accounting records.		($94,972)	$46,266		$48,706	
YSPUC reported $106,292 of liability for unreimbursed lease payments due to YLOA as Payables to Affiliated Companies in its 2023 Annual Report. YSPUC personnel explained that YSPUC is no longer required to reimburse these payments. Therefore, this liability should have been reclassified to Other Paid-in Capital.	($106,292)			$106,292		
YSPUC incorrectly recorded and reported $7,310 of interest expense related to the lease as Miscellaneous Non-Utility Expense despite having no further obligations to reimburse YLOA.		7,310				$7,310
Total	**($106,292)**	**($87,662)**	**$46,266**	**$106,292**	**$48,706**	**$7,310**

UAB proposed, and YSPUC agreed and incorporated, the following adjusting entry to correct the misstatements identified above:

Adj. No.	Acct. No.	Description	DR	CR
2	224	Long-Term Debt	$46,266	
	230	Payables to Affiliated Companies	106,292	
	232	Short-Term Notes Payable	48,706	
	211	Other Paid-in Capital		$106,292
	215	Retained Earnings		87,662
	426	Miscellaneous Non-Utility Expense		7,310
		To remove liabilities and interests related to assets not owned nor leased by YSPUC from its accounting records and reclassify remission of lease liabilities owed to YLOA as Other Paid-in Capital.		

YSPUC applied this adjusting journal entry to correct its books and submitted a Revised 2023 Annual Report to CPUC's Water Division on September 12, 2025.

Criteria:
USOA states, in part, that:

> **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.
>
> **224. Long-Term Debt**
> A. This account shall include all notes, conditional sales contracts or other evidences of indebtedness payable more than one year from date of issue.
> B. A separate subaccount shall be maintained for each obligation outstanding.
> Note: Prior authorization must be obtained from this Commission before any long-term indebtedness may be incurred by the utility. (Public Utilities Code, Section 818.)

FASB, Accounting Standards Update, Topic 842 states, in part, that:

> **842-10-15-3**
> A contract is or contains a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. A period of time may be described in terms of the amount of use of an identified asset (for example, the number of production units that an item of equipment will be used to produce).
>
> **842-10-15-3A**
> As a practical expedient, an entity that is not a public business entity; a not-for-profit entity that has issued or is a conduit bond obligor for securities that are traded, listed, or quoted on an exchange or an over-the-counter market; or an employee benefit plan that files or furnishes financial statements with or to the U.S. Securities and

> Exchange Commission may use the written terms and conditions of a related party arrangement between entities under common control to determine whether that arrangement is or contains a lease. For purposes of determining whether a lease exists under this practical expedient, an entity shall determine whether written terms and conditions convey the practical (as opposed to enforceable) right to control the use of an identified asset for a period of time in exchange for consideration. If an entity determines that a lease exists, the entity shall classify and account for that lease on the basis of those written terms and conditions. An entity may elect the practical expedient on an arrangement-by-arrangement basis.
>
> **842-10-15-3B**
> If no written terms or conditions exist, an entity shall not apply the practical expedient in paragraph 842-10-15-3A. Rather, the entity shall determine whether the related party arrangement between entities under common control is or contains a lease in accordance with paragraph 842-10-15-3 and, if so, classify and account for that lease on the basis of its legally enforceable terms and conditions in accordance with paragraph 842-10-55-12.

Cause:
YSPUC lacks monitoring and review procedures for its accounting and reporting process to ensure that it properly records and reports liabilities and interest expense in compliance with the accounting requirements of USOA, and in the absence of specific guidance from USOA, apply applicable generally accepted accounting principles.

Effect:
Inaccurate reporting in Miscellaneous Non-Utility Expense distorted YSPUC's results of operations as of December 31, 2023. Consistent financial presentation among small water utilities aids decision makers in analyzing the performance and financial position of YSPUC relative to other small water utilities in California.

In addition, inaccurate reporting in Long-Term Debt, Payables to Affiliated Companies, Short-Term Notes Payable, and Other Paid-in Capital distorted YSPUC's financial position as of December 31, 2023. Inaccurately reported short-term liabilities and long-term liabilities reduce the comparability of YSPUC's financial statements with other small water utilities. Consistent financial presentation among small water utilities aids decision makers in analyzing the performance and financial position of YSPUC relative to other small water utilities in California.

Recommendation:
YSPUC should establish and implement monitoring and review procedures for its accounting and reporting process to ensure that it properly records and reports liabilities and interest expense in compliance with the accounting requirements of USOA, and in the absence of specific guidance from USOA, apply applicable generally accepted accounting principles.

Finding 5: Incorrect Reporting of Operating Revenues and Non-Utility Income

Condition:
YSPUC overstated Account 421–Non-Utility Income and Account 470–Metered Water Revenue by $8,931 and $33,026, respectively, and understated Account 215–Retained Earnings, Account 233–Customer Deposits, Account 265–Contributions in Aid of Construction, Account 480–Other Water

Revenue, and Account 688–Regulatory Commission Expense by $8,881, $4,350, $28,726, $13,940, and $13,940, respectively, in its 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024. Our review of YSPUC's accounting records disclosed the following accounting errors:

	Overstated/(Understated)						
Description	**Acct 215**	**Acct 233**	**Acct 265**	**Acct 421**	**Acct 470**	**Acct 480**	**Acct 688**
YSPUC incorrectly reported $28,726 of collected facilities fees spent on plant improvements as Metered Water Revenue instead of Contributions in Aid of Construction.			($28,726)		$28,726		
YSPUC incorrectly reported deposits for re-establishment of credits as part of Metered Water Revenue instead of Customer Deposits. Our review of YSPUC's 2023 and 2024 Sales Reports disclosed that YSPUC billed re-establishment fees of $50 and $4,300 in 2022 and 2023, respectively.	$50	($4,350)			4,300		
YSPUC incorrectly recorded and reported CPUC Users Fee as a pass-through activity instead of reporting them as Other Water Revenue and Regulatory Commission Expense.						($13,940)	($13,940)
YSPUC reported $8,931 of net payment plan income as Non-Utility Income. However, YSPUC's accountant explained that the net payment plan amount should be zero.	(8,931)			$8,931			
Total	**($8,881)**	**($4,350)**	**($28,726)**	**$8,931**	**$33,026**	**($13,940)**	**($13,940)**

Furthermore, YSPUC's billing software lacked the capability to generate sales reports that itemized water revenues by customer classification in 2023. As a result, YSPUC misclassified all revenues for metered water supplied to residential customers, commercial customers, and irrigation purposes to Account 470–Metered Water Revenue instead of reporting each customer classification to the

proper sub-accounts. However, this misclassification did not impact YSPUC's total Metered Water Revenue.

UAB proposed, and YSPUC agreed and incorporated, the following adjusting entry to correct the misstatements identified above:

Adj. No.	Acct. No.	Description	DR	CR
3	421	Non-Utility Income	$8,931	
	470	Metered Water Revenue	33,026	
	688	Regulatory Commission Expense	13,940	
	215	Retained Earnings		$8,881
	233	Customer Deposits		4,350
	265	Contributions in Aid of Construction		28,726
	480	Other Water Revenue		13,940
		To correctly record Operating Income and Non-Utility Income to agree with the reviewed amounts in the proper accounts in compliance with the accounting requirements of USOA.		

YSPUC applied this adjusting journal entry to correct its books and submitted a Revised 2023 Annual Report to CPUC's Water Division on September 12, 2025.

Criteria:
USOA states, in part, that:

> **2. General Accounting Instructions**
> 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.
>
> **9. 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.
>
> **10. Facilities Fees**
> C. When facilities fees are received by a water utility, the amount received shall be deposited in Account 132 – Cash-Special deposits and credited to Account 253 – Deferred Credits. Interest earned on these fees shall be debited to Account 132-Cash-Special Deposits and credited to Account 421 – Non-Utility Income.
>
> D. At the time these fees are used for water plant improvements, Account 101 – Water Plant in Service shall be debited and Account 132 – Cash – Special Deposits

credited. Concurrently, Account 253 Other Credits shall be debited and Account 265.7 – Contributions in Aid of Construction credited.

233. Customer Deposits
This account shall include all amounts deposited with the utility by customers as security for payment of water bills.

470. Metered Water Revenue
A. This account shall include all revenue from metered water service. Surcharge revenues approved by the Commission applicable to metered 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.

B. Metered revenue shall be segregated, using the following subaccounts:
470.1 Residential, Single-Family Dwellings and Multiple Dwelling Units Individually Metered
470.2 Commercial and Multi-Residential Master Metered
470.3 Large Water Users: Large water users are defined as customers, other than customers whose revenues are reported in account 470.1 or 470.2, who use at least five times as much water as the average single-family residential customer and have a 1-1/2" or larger meter installed.
470.4 Safe Drinking Water Bond Surcharge
470.5 Other Metered Revenues
Include herein revenues from construction water sales, sales for resale and revenue from water sales under special contract.

480. Other Water Revenue
This account shall include revenue from water operations other than the delivery of water or provision of fire protection. This account shall be appropriately subdivided.

Items
Fees for changing, temporarily shutting off or reconnecting services
Maintenance of appliances or repair of piping on customers' premises
Rental income from water property

YSPUC's Tariff Book states, in part, that:

Rule No. 6
B. Re-establishment of Credit
1. An applicant who previously has been a customer of the utility and during the last 12 months of that prior service has had service discontinued for nonpayment of bills will be required to pay any unpaid balance due the utility for the premises for which service is to be restored and may be required to re-establish credit by making the deposit prescribed in Rule No. 7 under "Amount to Re-establish Credit."

2. A customer whose service has been discontinued for nonpayment of bills will be required to pay any unpaid balance due the utility for the premises for which service is to be restored and may be required to pay a reconnection charge as prescribed

in Rule No. 11 under "Restoration - Reconnection Charge" and to re-establish credit by making the deposit prescribed in Rule No. 7 under "Amount to Re-establish Credit" before service is restored.

Rule No. 7
D. Return of Deposits
Upon discontinuance of service, the utility will refund the balance of the customer's deposit in excess of unpaid bills for that service for which the deposit was made.

E. Interest on Deposits
Interest on deposit held will be paid by the utility at the rate of 7/12 per cent per month (7% annually) upon discontinuance of service, or after the deposit has been held for 12 consecutive months, provided service has not been discontinued for non- payment. No interest shall accrue after mailing to the customer or to the customer's last known address the refund or a notice that the refund is payable.

Cause:
YSPUC lacks monitoring and review procedures for its accounting and reporting process to ensure that it:

- maintains accounting records that provide detailed information to support balances reported in its Annual Reports;
- properly and accurately records and reports Metered Water Revenue to the sub-accounts for each customer classification in compliance with the accounting requirements of USOA;
- properly accounts for Customer Deposits received and refunded in compliance with YSPUC's Tariff Book and the accounting requirements of USOA;
- properly and accurately records and reports facilities fees spent as Contributions in Aid of Construction in compliance with the accounting requirements of USOA;
- properly and accurately records and reports Users Fee to the revenue and expense accounts in compliance with the accounting requirements of USOA; and
- properly and accurately records and reports Non-Utility income reported in its Annual Reports.

Effect:
Inaccurate reporting of Operating Revenues and Regulatory Commission Expense in the Annual Report, which may be used during YSPUC's GRC application review process, could potentially impact water rates for YSPUC's ratepayers.

In addition, inaccurate reporting in Customer Deposits, Contributions in Aid of Construction, and Non-Utility Income distorted YSPUC's financial position and results of operations as of December 31, 2023. Consistent financial presentation among small water utilities aids decision makers in analyzing the performance and financial position of YSPUC relative to other small water utilities in California.

Recommendations:
YSPUC should establish and implement monitoring and review procedures for its accounting and reporting process to ensure that it:

- maintains accounting records that provide detailed information to support balances reported in its Annual Reports;
- properly and accurately records and reports Metered Water Revenue to the sub-accounts for each customer classification in compliance with the accounting requirements of USOA;
- properly accounts for Customer Deposits received and refunded in compliance with YSPUC's Tariff Book and the accounting requirements of USOA;
- properly and accurately records and reports facilities fees spent as Contributions in Aid of Construction in compliance with the accounting requirements of USOA;
- properly and accurately records and reports Users Fee to the revenue and expense accounts in compliance with the accounting requirements of USOA; and
- properly and accurately records and reports Non-Utility income reported in its Annual Reports.

Finding 6: Incorrect Reporting of Expenses

Condition:
YSPUC overstated Account 610–Purchased Water, Account 630–Employee Labor, Account 640–Materials, and Account 650–Contract Work by $466,231, $151,154, $42,997, and $222,791, respectively, and understated Account 236–Taxes Accrued, Account 408–Taxes Other than Income Taxes, Account 615–Power, Account 618–Other Volume Related Expenses, Account 671–Management Salaries, Account 674–Employee Pensions and Benefits, and Account 682–Professional Services by $16,867, $16,867, $421,258, $44,973, $123,470, $27,684, and $265,788, respectively, in its 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024. The following tables summarize the misclassifications and misstatements identified during our review of YSPUC's accounting records and inquiry with YSPUC's accountant pertaining to Plant Operation and Maintenance expenses, Administrative and General Expenses, and Taxes Other Than Income Taxes.

Misclassified Plant Operation and Maintenance Expenses

Description	Overstated/(Understated)				
	Acct 610	Acct 615	Acct 618	Acct 640	Acct 650
YSPUC incorrectly recorded and reported power expenses as Purchased Water instead of reporting them as Power.	$466,231	($466,231)			
YSPUC incorrectly recorded and reported chemicals used in water treatment as Power instead of reporting them as Other Volume Related Expenses.		44,973	($44,973)		
YSPUC incorrectly recorded and reported repair and maintenance expenses paid to contractors as Materials instead of reporting them as Contract Work.				$42,997	($42,997)
Total	**$466,231**	**($421,258)**	**($44,973)**	**$42,997**	**($42,997)**

Misclassified Administrative and General Expenses

Description	Overstated/(Understated)				
	Acct 630	Acct 650	Acct 671	Acct 674	Acct 682
YSPUC incorrectly recorded and reported salaries paid to a manager and accrued employee benefits as Employee Labor.	$151,154		($123,470)	($27,684)	
YSPUC incorrectly recorded and reported accounting, billing, administrative, and customer services performed by vendors as Contract Work instead of reporting them as Professional Services.		$265,788			($265,788)
Total	**$151,154**	**$265,788**	**($123,470)**	**($27,684)**	**($265,788)**

Misstated Taxes Other Than Income Taxes

Description	(Understated) Acct 236	(Understated) Acct 408
YSPUC omitted recording and reporting property taxes of $16,867 for the period of July 2023 to December 2023 as an expense and liability in its 2023 Annual Report.	($16,867)	($16,867)
Total	**($16,867)**	**($16,867)**

UAB proposed, and YSPUC agreed and incorporated, the following adjusting entry to correct the misstatements identified above:

Adj. No.	Acct. No.	Description	DR	CR
4	408	Taxes Other than Income Taxes	$16,867	
	615	Power	421,258	
	618	Other Volume Related Expenses	44,973	
	671	Management Salaries	123,470	
	674	Employee Pensions and Benefits	27,684	
	682	Professional Services	265,788	
	236	Taxes Accrued		$16,867
	610	Purchased Water		466,231
	630	Employee Labor		151,154
	640	Materials		42,997
	650	Contract Work		222,791
		To correctly record expenses to agree with the reviewed amounts in the proper accounts in compliance with the accounting requirements of USOA.		

YSPUC applied this adjusting journal entry to correct its books and submitted a Revised 2023 Annual Report to CPUC's Water Division on September 12, 2025.

Criteria:
USOA states, in part, that:

> **615. Power**
> This account shall include the cost of power and fuel used to operate pumps.
>
> Note: Fuel and electricity used to heat and light offices shall be charged to Account 681, Office Supplies and Expense.
>
> **618. Other Volume Related Expenses**
> This account shall include all other expenses related to the volume of water used.
>
> Items
> Ground water replenishment charges.

Chemicals used in water treatment.
Water rights leases based on volume.
Note: Any of the above types of charges that are not based on volume shall be charged to Account 664, Other Plant Maintenance Expenses.

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. The following subaccounts shall be used, if applicable

650.1 Contract Water Quality and Testing Work
650.2 Other Contract Work

671. Management Salaries
A. This account shall include the portion of salaries of managers, owners, partners or principal stockholders of a utility, chargeable to utility operations.

674. Employee Pensions and Benefits
This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds and payments for employee accident, sickness, hospital and death benefits, or insurance therefore. Include also expenses for medical, educational or recreational activities of employees.
Note: Utilities with more than 1,000 service connections shall subdivide this account to correspond with salaries reported in accounts 630 Employee Labor, 670 Office Salaries, and 671 Management Salaries.

682. Professional Services
This account shall include the fees of independent accountants, engineers, lawyers, and similar professional consultants. This account shall be kept in a manner that will permit ready analysis of charges.

Cause:
YSPUC lacks monitoring and review procedures for its accounting and reporting process to ensure that it:

- prevents and detects incorrect recordings of all expense transactions; and
- properly classifies and accurately reports all expenses to the proper accounts in compliance with the accounting requirements of USOA.

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

Recommendations:
YSPUC should establish and implement monitoring and review procedures for its accounting and reporting process to ensure that it:

- prevents and detects incorrect recordings of all expense transactions; and
- properly classifies and accurately reports all expenses to the proper accounts in compliance with the accounting requirements of USOA.

Finding 7: Misstated Accounts Receivable

Condition:
YSPUC overstated Account 141–Accounts Receivable–Customers by $23,722 and understated Account 676–Uncollectible Accounts Expense by the same amount in its 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024. Based on YSPUC's explanation and our review of the supporting documents, the $23,722 should have been classified as uncollectible due to previous system errors. As a result, YSPUC should not have reported the $23,722 as part of its Accounts Receivable.

UAB proposed, and YSPUC agreed and incorporated, the following adjusting entry to correct the misstatements identified above:

Adj. No.	Acct. No.	Description	DR	CR
5	676	Uncollectible Accounts Expense	$23,722	
	141	Accounts Receivable–Customers		$23,722
		To record bad debt expense existing as of December 31, 2023.		

YSPUC applied this adjusting journal entry to correct its books and submitted a Revised 2023 Annual Report to CPUC's Water Division on September 12, 2025.

Criteria:
USOA states, in part, that:

> **141. Accounts Receivable - Customers**
> This account shall include amounts due from customers for water service.
>
> **676. Uncollectible Accounts Expense**
> A. This account shall be charged with amounts sufficient to cover losses from uncollectible accounts receivable.

Cause:
YSPUC lacks review and monitoring procedures for its accounting and reporting process to ensure that it timely assesses and writes off uncollectible accounts receivable and reports the accurate accounts receivable outstanding at year-end in its Annual Reports.

Effect:
Inaccurate reporting in Accounts Receivable–Customers distorted YSPUC's financial position as of December 31, 2023. Consistent financial presentation among small water utilities aids decision makers in analyzing the performance and financial position of YSPUC relative to other small water utilities in California.

Recommendation:
YSPUC should establish and implement review and monitoring procedures for its accounting and reporting process to ensure that it timely assesses and writes off uncollectible accounts receivable and reports the accurate accounts receivable outstanding at year-end in its Annual Reports.

Finding 8: Misclassified Construction Work in Progress

Condition:
YSPUC overstated Account 105.3–Construction Work in Progress–Other by $221,372 and understated Account 105–Construction Work in Progress by the same amount in its 2023 Annual Report originally filed with CPUC's Water Division on December 26, 2024. YSPUC misclassified $221,372 of utility-funded Construction Work in Progress as Construction Work in Progress–Other.

UAB proposed, and YSPUC agreed and incorporated, the following adjusting entry to correct the misstatements identified above:

Adj. No.	Acct. No.	Description	DR	CR
6	105	Construction Work in Progress	$221,372	
	105.3	Construction Work in Progress–Other		$221,372
		To reclassify Construction Work in Progress funded by the utility to the proper account in compliance with the accounting requirements of USOA.		

YSPUC applied this adjusting journal entry to correct its books and submitted a Revised 2023 Annual Report to CPUC's Water Division on September 12, 2025.

Criteria:
USOA states, in part, that:

> **105. Construction Work in Progress - Water Plant**
> This account shall include the cost of water plant in process of construction, but not yet ready for service. The following subaccounts should be maintained, if applicable:
>
> 105.1 Construction Work in Progress – SDWBA
> 105.2 Construction Work in Progress - Grant Funds
> 105.3 Construction Work in Progress – Other

Cause:
YSPUC lacks review and monitoring procedures for its accounting and reporting process to ensure that it records and reports utility-funded Construction Work in Progress to the proper account in compliance with the accounting requirements of USOA.

Effect:
Inaccurate reporting in Construction Work in Progress distorted YSPUC's financial position as of December 31, 2023. Consistent financial presentation among small water utilities aids decision makers in analyzing the performance and financial position of YSPUC relative to other small water utilities in California.

Recommendation:
YSPUC should establish and implement review and monitoring procedures for its accounting and reporting process to ensure that it records and reports utility-funded Construction Work in Progress to the proper account in compliance with the accounting requirements of USOA.

Finding 9: Noncompliance with Resolution W-4463 and USOA Accounting Requirements

Condition:
YSPUC failed to comply with CPUC Resolution W-4463 and the accounting requirements of USOA pertaining to facilities fees as summarized below.

- Resolution W-4463, dated March 16, 2004, states that facilities fees are not subject to CPUC Users Fee. However, YSPUC incorrectly applied and billed CPUC Users Fee pertaining to facilities fees as described in Finding 10, which resulted in overbilled Users Fee.

- Resolution W-4463 requires facilities fees to be deposited into an interest-bearing bank account. However, YSPUC's management stated that the reported facilities fees of $94,944 in its 2023 Annual Report were in a non-interest-bearing bank account as of December 31, 2023.

- As described in Finding 1, YSPUC did not comply with the accounting treatment of facilities fees as required by USOA and Resolution W-4463.

Criteria:
Resolution W-4463 effective March 16, 2004, Appendix B, Schedule No. F–Facilities Fees states, in part, that:

> **Special Conditions**
> 2. Payments made under this schedule are not subject to the reimbursement fee set forth in Schedule No. UF.
>
> 3. Facilities fees authorized herein shall be deposited within five days of receipt in a separate bank account paying interest. A direct confirmation from the bank shall be mailed to the Director of the Water Division after making such deposit to verify the amount deposited.
>
> 4. Facilities fees shall be treated as Contributions-in-Aid-of-Construction and follow the requirements as specified in the Internal Revenue Code Section 118 to qualify as such.
>
> 5. Facilities fees shall be accounted for as Contributions-in-Aid-of-Construction in accordance with the Commission's prescribed Uniform System of Accounts. In

addition the balance of facilities fees collected, including interest shall be reported in utility's annual report to the Commission.

USOA states, in part, that:

10. Facilities Fees
C. When facilities fees are received by a water utility, the amount received shall be deposited in Account 132 – Cash-Special deposits and credited to Account 253 – Deferred Credits. Interest earned on these fees shall be debited to Account 132-Cash-Special Deposits and credited to Account 421 – Non-Utility Income.

D. At the time these fees are used for water plant improvements, Account 101 – Water Plant in Service shall be debited and Account 132 – Cash – Special Deposits credited. Concurrently, Account 253 Other Credits shall be debited and Account 265.7 – Contributions in Aid of Construction credited.

E. The annual depreciation and amortization of the facilities fees plant additions shall be debited to Account 265.7 and credited to Account 108.3 Accumulated Depreciation of Water Plant.

Cause:
YSPUC lacks monitoring and review procedures for its accounting and reporting process to ensure that it:

- does not apply surcharges for Users Fee to facilities fees;
- deposits facilities fees to an interest-bearing account;
- properly and accurately records and reports facilities fees received as Cash–Special Deposits and Other Credits in compliance with the accounting requirements of USOA;
- properly and accurately records and reports interests from facilities fees as Non-Utility Income in compliance with the accounting requirements of USOA; and
- properly and accurately records and reports facilities fees used for plant improvements as Contributions in Aid of Construction with related amortization as Accumulated Amortization of Contributions in compliance with the accounting requirements of USOA.

Effect:
YSPUC did not comply with CPUC's directives in Resolution W-4463 and USOA Accounting Requirements.

Inaccurate reporting of facilities fees in the Annual Report distorted YSPUC's balance sheet and could misinform decision makers that these facilities fees are not restricted funds and had not been spent for allowable purposes. Additionally, misstated Contributions in Aid of Construction and Accumulated Amortization of Contributions could misstate the rate base, which may potentially impact decision makers during YSPUC's GRC application review process and impact water rates for YSPUC's ratepayers.

Recommendations:
YSPUC should establish and implement monitoring and review procedures for its accounting and reporting process to ensure that it:

- does not apply surcharges for Users Fee to facilities fees;
- deposits facilities fees to an interest-bearing account;
- properly and accurately records and reports facilities fees received as Cash–Special Deposits and Other Credits in compliance with the accounting requirements of USOA;
- properly and accurately records and reports interests from facilities fees as Non-Utility Income in compliance with the accounting requirements of USOA; and
- properly and accurately records and reports facilities fees used for plant improvements as Contributions in Aid of Construction with related amortization as Accumulated Amortization of Contributions in compliance with the accounting requirements of USOA.

Finding 10: Overbilled Users Fee by $10,766 and Unremitted Users Fee of $12,590

Condition:
YSPUC failed to comply with CPUC Users Fee requirements in 2023. YSPUC incorrectly used a rate of 1.5 percent to calculate its billed Users Fee from January to October 2023 instead of using 0.8 percent as established in CPUC Resolution M-4866, issued on December 16, 2022. YSPUC also incorrectly applied and billed CPUC Users Fee to charges such as new meter connection fees, facilities fees, and re-establishment fees, which are not subject to CPUC Users Fee requirement. As a result, YSPUC overbilled its customers by $10,766 for 2023 CPUC Users Fee.

In addition, YSPUC did not fully remit its 2023 CPUC Users Fee payments to CPUC. YSPUC only remitted one of the required four Users Fee payments in the amount of $1,350 to CPUC in 2023. YSPUC has not remitted the remaining $12,590 [11].

Criteria:
CPUC Resolution M-4866 established the CPUC Users Fee of 0.8 percent effective January 1, 2023.

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

PU Code section 433 states, in part, that:

> (b) Every other public utility not subject to subdivision (a) shall make payment of the fee to the commission on a quarterly basis between the first and 15th days of July, October, January, and April.

[11] $1,350 remitted Users Fee as shown in CPUC Fiscal Office's records - $13,940 reviewed Users Fee as reported in Other Water Revenue and Regulatory Commission Expense of the accompanying Financial Statements = $12,590 Users Fee payable to CPUC

YSPUC's Tariff Book, Schedule No. UF states, in part, that:

> This surcharge applies to all water and sewer bills rendered under all tariff rate schedules authorized by the commission, with the exception of resale rate schedules where the customer is a public utility.

Resolution W-4463 states, in part, that:

> 2. Payments made under this schedule are not subject to the reimbursement fee set forth in Schedule No. UF.

Cause:
YSPUC lacks monitoring and review procedures for its accounting and reporting process to ensure that it:

- accurately bills CPUC Users Fee by applying the rate established by CPUC to revenues subject to CPUC Users Fee Requirement; and

- fully and timely remits CPUC Users Fee to CPUC.

Effect:
YSPUC overbilled its customers by $10,766 in 2023. In addition, YSPUC did not remit its $12,590 of unpaid CPUC Users Fee in 2023 and an undetermined amount of unpaid CPUC Users Fee for prior years. Inaccurate computation of CPUC Users Fee could adversely impact water rates billed to YSPUC's ratepayers.

Recommendations:
YSPUC should work with CPUC's Water Division and Fiscal Office to refund all overbilled Users Fee to its customers in a timely manner, determine the amount of delinquent CPUC Users Fee and timely remit any delinquent payment to CPUC. In addition, YSPUC should establish and implement monitoring and review procedures for its accounting and reporting process to ensure that it:

- accurately bills CPUC Users Fee by applying the rate established by CPUC to revenues subject to CPUC Users Fee Requirement; and

- fully and timely remits CPUC Users Fee to CPUC.

Finding 11: Noncompliance with Annual Report Filing Requirement

Condition:
YSPUC failed to comply with CPUC's Annual Report filing requirement because it did not timely file its 2023 Annual Report. CPUC Water Division's Memorandum dated February 8, 2024, requires that all water utilities file their 2023 Annual Reports with CPUC by April 30, 2024. However, YSPUC filed its 2023 Annual Report on December 26, 2024, without obtaining the approval from CPUC's Water Division for a filing extension. In addition, as of the date of this report, YSPUC had not filed its 2019 to 2022 Annual Reports with CPUC as required by CPUC directives and General Order No. 104-A.

Criteria:
CPUC Water Division's Memorandum dated February 8, 2024, requires that all water utilities regulated by CPUC file their 2023 annual reports on or before April 30, 2024, using the annual report templates for the calendar year 2023. Any request for the filing extension must be authorized by CPUC's Water Division.

G.O. No. 104-A, states in part, that:

> IT IS HEREBY ORDERED that each public utility now subject, or which hereafter may become subject, to the jurisdiction of this Commission shall file with the Commission an annual report of its operations in such form and content and in such number of copies as the Commission may prescribe. The report shall be verified under penalty of perjury and signed by the owner of the public utility, if an individual; by a partner, if a partnership; or, if a corporation, by the president, secretary, or officer having control of the accounting of such corporation. A warehouseman authorized by the Commission to maintain records on a fiscal year basis shall file the report for each fiscal year within 90 days after the close of the fiscal year. Every other utility shall file the report for each calendar year on or before March 31st of the following year, or such other date as the Commission may designate.

Cause:
YSPUC lacks monitoring and review procedures for its reporting process to ensure that it files its Annual Reports timely with CPUC's Water Division.

Effect:
The delayed submission of the Annual Reports adversely impacted public transparency and reduced the comparability of YSPUC's financial statements with other water utilities. Consistent financial presentation among water utilities aids decision makers in analyzing the performance and financial position of YSPUC relative to other water utilities in California.

Recommendations:
YSPUC should immediately file its 2019 to 2022 Annual Reports with CPUC's Water Division. In addition, YSPUC should establish and implement monitoring and review procedures for its reporting process to ensure that it files its Annual Reports timely with CPUC's Water Division.