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**2022**

# **ANNUAL REPORT**

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- ❖ Water Conservation
- ❖ Water Quality
- ❖ Backflow
- ❖ EZPay – An efficient way to make your payments electronically.
- ❖ RoundUp – A volunteer program that provides financial assistance to customers in need.

Please contact us at:

**Community Water Company of Green Valley**  
(520) 625-8409  
Communitywater.com

## Table of Contents

<b>(Letter) To the Members of Community Water Company of Green Valley .....</b>	<b>2</b>
<b>Report of Independent Auditors .....</b>	<b>4</b>
<b>Consolidated Balance Sheets .....</b>	<b>6</b>
<b>Consolidated Statements of Revenues and Expenses .....</b>	<b>8</b>
<b>Consolidated Statements of Net Assets .....</b>	<b>9</b>
<b>Consolidated Statements of Cash Flow .....</b>	<b>10</b>
<b>Notes to Consolidated Financial Statements .....</b>	<b>12</b>
<b>Supplemental Consolidating Abbreviated Financial Statements .....</b>	<b>27</b>
<b>Officers &amp; Directors and Board Consultants Listings .....</b>	<b>28</b>



*COMMUNITY WATER COMPANY PROVIDING  
RELIABLE WATER DELIVERY SERVICE SINCE 1977*

**March 24, 2023**

**To the Members of Community Water Company of Green Valley** *(An Arizona nonprofit corporation with members regulated as a Public Service Corporation by the Arizona Corporation Commission)*

**Community Water Company of Green Valley by the numbers . . . for year-end December 2022:**

- 2022 Utility operating revenue of \$4.6 million
- \$22 (w/o tax) average residential delivery bill
- Long-term debt \$2.5 million
- Zero residential outages greater than four hours
- Four wells, each with treatment facilities and backup generators at key well sites
- Four reservoirs to support a gravity-fed delivery system
- 6.6 million gallons storage capacity
- 154 miles of water mains
- 1,048 hydrants
- 2.1 million gallons delivered daily
- 2,286.2 Acre-Feet of water produced in 2022
- 2,431.3 Acre-Feet of water produced in 2021
- 16.75 inches of rain in 2022 and 13.59 in 2021
- 12,865 residential customers at year-end and 393 commercial customers
- 20 employees with a cumulative 242 years of water industry experience

**Strategic Business Plan . . .** in 2022, the board and management worked on updating our strategic planning and identified the focus for our highest priority and attention:

- **Reliable delivery of water** – this has been our primary mission since 1975.
- **Sustainable water supplies** – we committed to CAP and have had a high-priority allocation since 1985. We are developing Project Renew to bring Colorado River water to our area. We work with State Agencies and other utilities to protect our long-term water supplies.
- **A stable financial position** – it is critical for the utility to ensure reliable operations and respond to emergencies. We are evaluating a rate adjustment to update the approved 2016 rates.
- **Results and retention** – continue to invest in our staff and timely replace retiring field and office employees; they maintain our safe operations and are responsible for our excellent reputation for reliable service. Our thanks to those retiring after 40+ years of service.
- **Member trust** – maintain excellent communication with our volunteer directors and board consultants, who have guided our operations for over 46 years. Keep our customers informed and comply with all rules and regulations within our industry.

**Water Quality . . .** The water delivered to our members and customers met or surpassed all health and safety measures required by the United States Environmental Protection Agency, the Arizona Department of Environmental Quality, and the Pima County Department of Environmental Quality. Our latest Annual Water Quality Report, covering data samples from 2022, will be published in July and confirms that our water deliveries comply fully with our water quality sampling requirements. Our current annual Water Quality Report is available on our website [www.communitywater.com/wqr.pdf](http://www.communitywater.com/wqr.pdf)

Our latest Water Quality Report notes that we are not currently impacted by sulfate contamination from the local mines. A Community Advisory Group (CAG) was established as part of a sulfate mitigation order, and the Arizona Department of Environmental Quality agreed to report on the local sulfate mitigation efforts. Representatives of Community Water attend the CAG meetings.

**Water Supplies** . . . Community Water is committed to maintaining a sustainable water supply. Local water supplies are not sustainable as long as they continue to decline. Even though it can be decades before we feel the impact, investing in solutions for future generations is crucial. Project Renew's was started in 2007 to bring renewable water supplies to the Green Valley Sahuarita area at no cost to the members of Community Water.

Project Renew's is connected to the CAP at the CAP Terminus and includes pipelines along Pima Mine Road, with segments under the Nogales Highway, Sahuarita Road, and connection to the utility service area, as well as a 99-year lease on a recharge site.

**Thank you** . . . We want to take this opportunity to express our gratitude to the members of our nonprofit corporation. We share these updates so our members can see our priorities, progress, and challenges. The members of Community Water Company of Green Valley have an impact on our service and the greater community, likely in ways you may not even realize.

We are purposeful in partnering with local charities to administer our Round Up program. A highly successful program to lend assistance to our fellow members. We also support local organizations in support of projects like Median Green, and we have participated in our community through our local Chamber of Commerce to deliver our messages for conservation and make ourselves available to answer questions or concerns you may have about our local water environment.

We maintain our local control through our volunteer directors who govern us; we apply their first-hand perspective on water supply priorities, enabling us to make more informed decisions on long-term investments, such as proactive water main replacements, equipment and technology upgrades and applying new technologies, including GIS mapping.

We are thankful that our directors and board consultants carve out time to attend important workshops, participate in committee meetings and keep abreast of the trends that will impact our precious water resources. This investment in time results in better-informed advisors serving your long-term interests in a way our members expect and deserve. In short, the work begun in 1975 by a group of volunteers continues to be a resounding success.

**Sincerely,**

**Community Water Company of Green Valley**



**Thomas E Cooke**  
**Chair of the Board**



**Arturo R Gabaldón**  
**President**



# ULLMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## Report of Independent Auditors

### **To the Board of Directors and Members of Community Water Company of Green Valley (An Arizona nonprofit corporation with members):**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Community Water Company of Green Valley, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of revenues and expenses, net assets, and cash flow for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Water Company of Green Valley as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Community Water Company of Green Valley and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Water Company of Green Valley's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

#### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Water Company of Green Valley's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Water Company of Green Valley's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplemental Consolidating Abbreviated Financial Statements are presented for purposes of additional analysis and are not a required part of the consolidated basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The Letter to the Members and Officers & Directors and Board Consultants listings are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



ULLMANN & COMPANY

Certified Public Accountants

Phoenix, Arizona

April 25, 2023

Consolidated Balance Sheets  
December 31, 2022 and 2021  
In Thousands

	2022	Restated 2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 743	\$ 716
Securities available for sale, at market	-	40
Accounts receivable, less allowance for doubtful accounts of \$2,000 in 2022 and 2021	421	388
Material and supplies	63	44
Prepayment	29	41
<b>Total current assets</b>	<b>1,256</b>	<b>1,229</b>
<b>Noncurrent assets</b>		
Cash and cash equivalents, designated	419	848
Securities available for sale, at market reserved for reservoir maintenance	472	355
Securities available for sale, at market designated other	2,866	2,726
Mark-to-market value of interest rate swap	86	-
Operating lease right-of-use asset	273	276
Investment in LLC	160	165
Deferred tax asset	11	8
<b>Total noncurrent assets</b>	<b>4,287</b>	<b>4,378</b>
<b>Deferred charges</b>		
Right-of-way use permits (ROW)	80	87
Other	130	60
<b>Total deferred charges</b>	<b>210</b>	<b>147</b>
<b>Utility plant</b>		
Plant in service, at cost	49,674	48,569
Construction work in progress	76	117
	<b>49,750</b>	<b>48,686</b>
Less accumulated depreciation	(26,979)	(25,716)
<b>Total utility plant</b>	<b>22,771</b>	<b>22,970</b>
<b>Total assets</b>	<b>\$ 28,524</b>	<b>\$ 28,724</b>

*The accompanying notes are an integral part of the consolidated financial statements*



Consolidated Balance Sheets  
December 31, 2022 and 2021  
In Thousands

	2022	Restated 2021
<b>Liabilities and net assets</b>		
<b>Current liabilities</b>		
Accounts payable (A/P)	\$ 232	240
Current maturities on long-term debt	138	131
Accrued taxes	110	117
Other accrued liabilities	225	223
<b>Total current liabilities</b>	<b>705</b>	<b>711</b>
<b>Long-term debt, net</b>	<b>2,254</b>	<b>2,389</b>
<b>Deferred credits</b>		
Refundable advances for construction	2,332	2,306
Reservoir maintenance reserves	472	355
Operating lease long-term liability	9	10
Mark-to-market value of interest rate swap	-	251
<b>Total deferred credits</b>	<b>2,813</b>	<b>2,922</b>
<b>Contributions in-aid-of construction (CIAC), net</b>	<b>11,888</b>	<b>12,417</b>
<b>Total liabilities</b>	<b>17,660</b>	<b>18,439</b>
<b>Net assets</b>		
Accumulated other comprehensive income	(72)	(271)
Appropriated accumulated surplus	3,256	3,574
Other accumulated surplus and membership	7,680	6,982
<b>Total net assets</b>	<b>10,864</b>	<b>10,285</b>
<b>Total liabilities and net assets</b>	<b>28,524</b>	<b>28,724</b>

*The accompanying notes are an integral part of the consolidated financial statements*

**Consolidated Statements of Revenues and Expenses**  
**For the years ended December 31, 2022 and 2021**  
In Thousands

	<b>2022</b>	<b>Restated 2021</b>
<b>Operating revenues</b>	<b>\$ 4,594</b>	<b>\$ 4,684</b>
<b>Operating expenses</b>		
Operations	2,424	2,339
Maintenance	491	486
Depreciation and amortization	562	600
Taxes - other	547	570
<b>Total operating expenses</b>	<b>4,024</b>	<b>3,995</b>
<b>Excess of operating revenues over operating expenses</b>	<b>570</b>	<b>689</b>
<b>Other revenues (expenses)</b>		
CAP capital charges	(147)	(147)
Interest income	29	20
Interest expense	(145)	(158)
Passthrough expense investment in LLC	(5)	(5)
Other revenues, net	76	77
<b>Total other revenues (expenses)</b>	<b>(192)</b>	<b>(213)</b>
<b>Income before income tax</b>	<b>378</b>	<b>475</b>
<b>Income tax benefit (expense)</b>		
Current tax expense	(1)	(2)
Deferred tax benefit	3	5
<b>Total income tax benefit (expense)</b>	<b>2</b>	<b>3</b>
<b>Excess of revenues over expenses</b>	<b>380</b>	<b>479</b>
<b>Other comprehensive income (loss), net of tax:</b>		
Unrealized loss on securities	(138)	(28)
Unrealized gain on mark-to-market value of interest rate swap	337	170
<b>Total other comprehensive income (loss)</b>	<b>199</b>	<b>142</b>
<b>Total comprehensive income</b>	<b>\$ 579</b>	<b>\$ 621</b>

*The accompanying notes are an integral part of the consolidated financial statements*

**Consolidated Statements of Net Assets**  
**For the years ended December 31, 2022 and 2021**  
 In Thousands

	<b>Appropriated accumulated surplus</b>	<b>Other accumulated surplus and membership</b>	<b>Accumulated other comprehensive income</b>	<b>Total net assets</b>
12/31/2020 Net assets	3,046	7,031	(413)	9,664
12/31/2021 Comprehensive income	528	(49)	142	621
12/31/2021 Net assets	3,574	6,982	(271)	10,285
<b>12/31/2022 Comprehensive income</b>	<b>(318)</b>	<b>698</b>	<b>199</b>	<b>579</b>
<b>12/31/2022 Net assets</b>	<b>\$ 3,256</b>	<b>\$ 7,680</b>	<b>\$ (72)</b>	<b>\$ 10,864</b>

*The accompanying notes are an integral part of the consolidated financial statements*

**Consolidated Statements of Cash Flow**  
**For the years ended December 31, 2022 and 2021**  
(In Thousands)

	<b>2022</b>	<b>Restated 2021</b>
<b>Net cash provided by operating activities</b>		
<b>Excess of revenues over expenses</b>	<b>\$ 380</b>	<b>\$ 479</b>
<b>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</b>		
Depreciation and amortization	568	606
Depreciation and amortization included in operations and maintenance	129	222
Other noncash income and expenses	1	-
Change included in:		
Accounts receivable	(33)	(17)
Materials and supplies	(19)	3
Deferred tax	(3)	(5)
Prepayments	12	28
Interest receivable	(3)	5
Accounts payable (net of Capital A/P)	(68)	(88)
Investment in LLC	5	5
Deferred charges, net	(139)	(80)
Other liabilities	5	(22)
<b>Total adjustments</b>	<b>455</b>	<b>657</b>
<b>Net cash provided by operating activities</b>	<b>835</b>	<b>1,136</b>
<b>Cash flow used in investing activities</b>		
Capital expenditures	(1,221)	(833)
Proceeds from sale of capital assets	49	-
Purchase of securities available for sale	(758)	(1,007)
Proceeds from maturities of securities available for sale	405	1,201
Investment in ROW use permits	-	(1)
<b>Net cash used in investing activities</b>	<b>(1,525)</b>	<b>(640)</b>

(Continued on the next page)

**Consolidated Statements of Cash Flow**  
For the years ended December 31, 2022 and 2021  
(In Thousands)

(Continued)

	<b>2022</b>	<b>Restated 2021</b>
<b>Cash flow (used for) provided by financing activities</b>		
Repayment of long-term debt	(131)	(124)
Proceeds from refundable advances and CIAC	377	346
Repayment of refundable advances	(29)	(71)
Proceeds from other members	71	74
<b>Cash flow provided by (used for) financing activities</b>	<b>288</b>	<b>225</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (402)</b>	<b>\$ 721</b>
Cash and cash equivalents at beginning of year	1,564	843
Cash and cash equivalents at end of year	<u><u>\$ 1,162</u></u>	<u><u>\$ 1,564</u></u>
<b>Noncash investing activities</b>		
A/P purchases of utility plant	<u><u>\$ 74</u></u>	<u><u>\$ 134</u></u>

**Cash and cash equivalents on balance sheet**

	<b>2022</b>	<b>Restated 2021</b>
Cash and cash equivalents	\$ 743	\$ 716
Cash and cash equivalents, designated	419	848
	<u><u>\$ 1,162</u></u>	<u><u>\$ 1,564</u></u>

*The accompanying notes are an integral part of the consolidated financial statements*



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. NATURE OF OPERATIONS:

A group of Green Valley residents incorporated Community Water Company of Green Valley (CWC) as an Arizona nonprofit corporation with members in 1975. The residents purchased an existing water utility business and began operating the water utility in 1977. The water utility is a regulated public service corporation that delivers water to residential and commercial customers in a southern Arizona active adult community.

These consolidated financial statements include the accounts of all entities in which CWC has a controlling financial interest. In 2011, CWC established a wholly-owned subsidiary corporation named SICAN, Inc. (SICAN) for business investments. In 2012, CWC created a variable interest entity named Community Water Company of Green Valley ROW Trust (Trust); CWC is the trustor and the beneficiary, and SICAN is the trustee. The entity invests in activities for the benefit of CWC, and it currently holds and manages right-of-way use permits (ROW) and leases required for Project Renewals.

Accounting principles generally accepted in the United States of America (US GAAP) view the economic substance of the trust arrangement as giving CWC a controlling financial interest in Trust. Therefore US GAAP requires that CWC consolidate Trust's financial results into the consolidated financial statements.

The accompanying consolidated financial statements present the results of consolidating CWC, SICAN, and Trust (collectively referred to as CWC Consolidated).

CWC Consolidated eliminated all significant intercompany accounts and transactions in the consolidation process.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

**Maintenance of Accounting Records** - CWC, SICAN, and Trust present their audited financial statements on the accrual basis of accounting; they recognize revenue when earned and expenses when the obligation has been incurred. CWC maintains its records following the Uniform System of Accounts prescribed for Class A water utilities by the National Association of Regulatory Utility Commissioners, the US GAAP for the water utility industry. Trust and SICAN maintain their internal accounting records on a cash basis.

**Cash and Cash Equivalents** - CWC Consolidated considers cash in banks and all highly liquid investments purchased with a maturity of three months or less to be cash equivalents for purposes of reporting cash flows.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued):

**Securities Available for Sale** - CWC Consolidated accounts for its investment securities following FASB ASC 320-10-45. CWC Consolidated may classify investments in securities as securities to be held to maturity or securities available for sale. CWC Consolidated has classified all investments as securities available for sale. Securities available for sale consist of mortgage-backed securities and certificates of deposits. These securities are recorded at fair value, with any unrealized gains and losses reflected as a separate component of Net Assets. Gains (losses) on the sale of securities available for sale are determined using the specific identification method.

**Accounts Receivable** – CWC Consolidated accounts receivable consists primarily of balances due from regulated utility customers, which were billed on a monthly cycle basis. CWC extends credit based on the guidelines of the applicable regulators, and generally, collateral is not required.

**Allowance for Doubtful Accounts** - Allowances for uncollectible accounts are maintained for estimated probable losses resulting from CWC's inability to collect customer receivables. Accounts that are outstanding longer than the payment terms are considered past due, and the allowance for doubtful accounts is computed based on an analysis of the collectability of accounts receivable at the balance sheet date. For 2022 and 2021, there was an allowance of \$2,000. CWC writes off balances when considered uncollectible. SICAN and Trust did not have allowances for uncollectible accounts for 2022 and 2021.

**Materials and Supply Inventory** – CWC presents inventory at the lower of cost or net realizable value. Cost is determined on a weighted average basis.

**Utility Plant** – CWC presents the utility plant at its original cost, consisting of contract costs, labor, material, and allowances for indirect costs. CWC charges the cost of maintenance, repairs, and minor renewals to expense in the year incurred. Depreciation and amortization expense is provided for on the straight-line basis utilizing the following annual rates based on the assets' estimated useful lives. The depreciation rates and plant-in-service balances by major classes of depreciable assets are as follows:

	<b>Depreciation Rate (in Percent)</b>	<b>Balance At December 31, 2022 (In Thousands)</b>	<b>Balance At December 31, 2021 (In Thousands)</b>
<b>Utility Plant</b>	<b>2.00 to 12.50</b>	<b>\$ 47,725</b>	<b>\$ 46,650</b>
<b>Computer Equipment</b>	<b>20.00</b>	<b>968</b>	<b>844</b>
<b>Backhoe</b>	<b>5.00</b>	<b>288</b>	<b>288</b>
<b>Vehicles</b>	<b>20.00</b>	<b>522</b>	<b>616</b>
<b>Land</b>	<b>N/A</b>	<b>171</b>	<b>171</b>
<b>Total</b>		<b>\$ 49,674</b>	<b>\$ 48,569</b>

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued):

**Deferred Charges** – CWC reviews intangible assets – right-of-way use permits (ROWs) for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the sum of undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset’s carrying value is reduced to its estimated fair value.

Trust holds ROWs that are initially measured based on their fair values and are being amortized on a straight-line basis over the life of the ROWs, and they are stated at cost net of accumulated amortization.

**Refundable Advances and Contributions in-aid-of Construction (CIAC)** - The cost of constructing specific expansions to the utility plant has been advanced or contributed to CWC by the owners of the property served by the expansions. CWC repays advances by refunding the owners’ specified percentages of the annual water revenue, which CWC derives from the expansions. These repayments continue until the advances are fully repaid or until an agreed-upon repayment term is expired. Contributions for construction are not reimbursed. Further, if the repayment term of an advance expires before the advance is fully repaid, the unpaid balance is reclassified as CIAC. Amounts classified as CIAC are amortized on a straight-line basis utilizing the plant composite rate set by the Arizona Corporation Commission. The percentage in effect for 2022 and 2021 was 3.92%.

Refundable advances for construction are non-interest bearing. As of December 31, 2022 and 2021, CWC's refundable advances for construction specify repayment rates ranging from 10% to 20% of applicable annual water revenues. The remaining repayment terms range from 10 to 15 years. CWC is nearly built out; as it moves to the future, CWC will not benefit from the low-cost money provided by these developer funds.

**Accumulated Surplus** – Accumulated Surplus consists of member revenues from sales of water service and nonmember revenues minus current and prior periods’ expenses. CWC allocates appropriated accumulated Surplus to members based on business with CWC.

**Revenue Recognition** - CWC's operating revenues are mainly generated through water delivery charges to residential and commercial customers in the Green Valley Sahuarita area at rates authorized by the Arizona Corporation Commission. All revenues are recognized at a point in time. Water delivery charges are recognized when the water is delivered to the customer. CWC bills monthly according to the bill cycles of the customers; payments are due within 30 days. As a result of the bill cycle cut-off, monthly service revenue earned but not yet billed at the end of the accounting period is estimated and accrued. Estimates are based on estimated daily usage from the meter reading closest to the end of the accounting period. Sales taxes (included in revenue- see **Note 16**) and convenience fees are recognized at the time of billing. Other customer-related fees, such as Service Establishment Charges and income from customers’ late payments, are recognized when the controls over these services have been transferred to the customer. Fees for information related to wastewater usage are recognized when the data is prepared. Funds received for the anticipation of expenses directly related to Project Renewals are recognized as nonoperating revenues upon receipt. Other income to rehabilitate damaged assets is recognized when the repair cost is incurred.



## 2. SIGNIFICANT ACCOUNTING POLICIES (continued):

**Comprehensive Income** - Other comprehensive income consists of available-for-sale securities' net unrealized holding gains and losses and the recognition of the value of the interest rate swap.

**Income Taxes** - CWC is an Internal Revenue Code (IRC) Section 501(a) organization, exempt from taxes by application of IRC Section 501(c)(12) for CWC's operations.

SICAN and Trust are not exempt from income taxes. Income taxes are recognized for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled.

**Use of Estimates** - The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions. Estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. They also impact the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk** - Financial instruments that potentially subject CWC Consolidated to credit risk concentrations consist of temporary cash investments and cash equivalents. CWC Consolidated places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution since the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation insures them.

Credit risk concentration concerning cash equivalents is limited due to the diversification of the investments. At times, the Company may hold bank balances above FDIC insurance limits, as was the case at December 31, 2022.

**Adoption of FASB ASC 842** – Effective January 1, 2021, CWC Consolidated adopted FASB ASC 842, Leases. CWC Consolidated determines if an arrangement contains a lease at inception based on whether CWC Consolidated has the right to control the asset during the contract period and other facts and circumstances. CWC Consolidated elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 did not have a material impact on the Company's results of operations, cash flows or debt covenants.

Results for periods beginning prior to January 1, 2021 continue to be reported in accordance with the historical accounting treatment. See **Note 17** for Prior Period Adjustments and **Note 7** for the operating lease.

### 3. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without external restrictions limiting their use, within one year of December 31, 2022 and 2021, respectively, are:

	<u>12/31/2022</u>	<u>12/31/2021</u>
<b>Financial assets</b>		
Cash and cash equivalents	\$ 743	\$ 716
Securities available for sale	-	40
Cash and cash equivalents, designated	419	848
Securities available for sale, at market reserved for reservoir maintenance	472	355
Securities available for sale, at market designated other	2,866	2,726
Accounts receivable	421	388
<b>Total financial assets</b>	<b><u>4,921</u></b>	<b><u>5,073</u></b>
<b>Less reserved or designated funds</b>		
Reserved for maintenance (see <b>Note 4</b> )	(472)	(355)
Designated for other purposes (see <b>Note 4</b> )	(3,285)	(3,574)
<b>Amounts available for general expenditures within one year</b>	<b><u>\$ 1,164</u></b>	<b><u>\$ 1,144</u></b>

The above table reflects board-designated funds as unavailable because CWC intends to reserve those resources for the long-term support of CWC. CWC could appropriate these resources for general use if needed.

### 4. RESERVED AND DESIGNATED FUNDS:

CWC has accrued reservoir maintenance expenses for recoating reservoirs and forebays as a liability on the balance sheet. As of December 31, 2022 and 2021, these reserves totaled \$472,300 and \$355,100, respectively.

CWC has also designated an appropriated accumulated surplus and the related cash and investment funds for state land leases and plant replacements. These are reported on the balance sheet as cash and cash equivalents, designated and securities available for sale, at market-designated other.

## 5. SECURITIES AVAILABLE FOR SALE, AT MARKET:

The carrying amounts of investment securities available for sale are as follows:

	At December 31, 2022 (In Thousands)		
	Cost	Unrealized Losses	Fair Value
Certificates of deposit with maturities within one year	\$ 1,570	\$ (20)	\$ 1,550
Certificates of deposit with maturities of 1-5 years	1,852	(119)	1,733
Certificates of deposit with maturities > 5 years	40	(12)	28
Mortgage-backed securities, U.S.	34	(7)	27
<b>Total</b>	<b>\$ 3,496</b>	<b>\$ (158)</b>	<b>\$ 3,338</b>

	At December 31, 2021 (In Thousands)		
	Cost	Unrealized Gains	Fair Value
Certificates of deposit with maturities within one year	\$ 440	\$ 0	\$ 440
Certificates of deposit with maturities of 1-5 years	2,662	(18)	2,644
Mortgage-backed securities, U.S.	38	(1)	37
<b>Total</b>	<b>\$ 3,140</b>	<b>\$ (19)</b>	<b>\$ 3,121</b>

Expected maturities will differ from contractual maturities since issuers may have the right to call or prepay obligations with or without call or prepayment penalties. These investments are presented in current and noncurrent Securities available for sale on the balance sheets.

In 2022 and 2021, CWC Consolidated held over \$2.5 million in brokered CDs and \$266,000 in CDs purchased directly from a local bank. All the CDs are included in securities available for sale in 2022 and 2021.

## 6. MARK-TO-MARKET VALUE OF INTEREST RATE SWAP:

On November 14, 2014, CWC entered into an interest rate swap agreement with PNC, which CWC designated as a hedge against the variability in future interest payments due on \$3,234,208. CWC pays PNC Bank 2.98%; in return, PNC pays the LIBOR rate to CWC. The terms of the swap agreement effectively convert the variable rate interest payments due on the note to a fixed rate of 5.68% through maturity on November 14, 2029.

## 6. MARK-TO-MARKET VALUE OF INTEREST RATE SWAP (Continued):

Interest rate risk associated with the Company's floating rate debt creates exposures for CWC. The Company entered into an interest rate swap to manage interest rate risk and adjust the interest rate profile of the Company's obligation to achieve a target mix of floating and fixed-rate debt. Any unrealized gains and losses resulting from the derivative will be presented as Other Comprehensive Income. In 2022 and 2021, CWC recognized \$337,231 and \$170,150 as unrealized gains. As of December 31, 2022, the cumulative gain, presented with noncurrent assets on the balance sheets, stood at \$85,868, while as of December 31, 2021, the cumulative loss, presented with deferred credits, amounted to \$251,363.

## 7. OPERATING LEASE RIGHT-OF-USE ASSET:

The Trust leases a piece of land from the Arizona State Land Department as part of the 99-year ground lease. The lease has a cost of \$302,554, of which \$275,318 had been paid in cash upon inception. The remaining nineteen payments are \$1,433 every five years for the remaining 99 years, starting in the year ending December 31, 2023. The lease matures in December 2117. The following summarizes the line items in the balance sheet which include amounts for operating leases:

	<b>Balance at December 31, 2022 (in Thousands)</b>	<b>Balance at December 31, 2021 (in Thousands)</b>
<b>Operating Lease Right-of-use Asset</b>	<b>\$273</b>	\$276
<b>Current Operating Lease Liability</b>	<b>1</b>	0
<b>Long-Term Portion of Operating Lease Liability</b>	<b>9</b>	10
<b>Total Operating Lease Liability</b>	<b>\$ 10</b>	\$ 10

No amounts were paid in cash for the lease during the year ended December 31, 2022 and 2021. The discount rate used to calculate the right-of-use asset was 2.62% (the risk-free rate at the implementation of the lease).

The maturities of the operating lease liability under the operating lease agreement are as follows:

	<b>At Year-End December 31 (In Thousands)</b>
<b>2023</b>	<b>\$ 1</b>
<b>2024</b>	<b>0</b>
<b>2025</b>	<b>0</b>
<b>2026</b>	<b>0</b>
<b>2027</b>	<b>0</b>
<b>Thereafter</b>	<b>26</b>
<b>Total</b>	<b>\$ 27</b>
<b>Present Value Adjustment</b>	<b>(17)</b>
<b>Operating Lease Liability</b>	<b>\$ 10</b>

## 8. INVESTMENT IN LLC:

SICAN has an investment in JPAR, LLC (LLC), a development company that is recognized at book value. This investment is funded by the other LLC member, not CWC. The following data reflects the book value related to SICAN's investment in LLC. SICAN's cumulative interest in LLC's book value is as follows:

<b>SICAN's Cumulative Interest in LLC</b>	<b>Balance at December 31, 2022 (In Thousands)</b>	<b>Balance at December 31, 2021 (In Thousands)</b>
<b>SICAN Capital Contribution in LLC</b>	<b>\$ 340</b>	<b>\$ 340</b>
<b>Cumulative Share of Net Loss</b>	<b>(180)</b>	<b>(175)</b>
<b>Book Value</b>	<b>\$ 160</b>	<b>\$ 165</b>

Net losses are due to a timing difference because LLC is in the construction and planning phases of operations, and losses are expected until construction is complete. LLC's financial results can be summarized as follows:

<b>LLC Financial Summary</b>	<b>Balance at December 31, 2022 (In Thousands)</b>	<b>Balance at December 31, 2021 (In Thousands)</b>
<b>Total Assets</b>	<b>\$ 11,060</b>	<b>\$ 10,514</b>
<b>Total Liabilities</b>	<b>58</b>	<b>28</b>
<b>Total Equity</b>	<b>\$ 11,002</b>	<b>\$ 10,486</b>
<b>Revenues</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Expenses</b>	<b>173</b>	<b>166</b>
<b>Net Loss</b>	<b>\$ (173)</b>	<b>\$ (166)</b>

SICAN's share of net loss for the year is calculated using the weighted average capital accounts during the year. During the years ended December 31, 2022 and 2021, SICAN's allocated loss was about 2.67% and 2.86%, respectively. This represents a net loss of around \$5,000 each year. SICAN owns less than 20% of LLC's profit and loss percentages at December 31, 2022. CWC applied the equity method in the consolidated accounts for the investment because SICAN is the managing member of LLC and has significant influence over tLLC's operations.

## 9. DEFERRED CHARGES:

Trust's ROWs consist of the following:

	Balance at December 31, 2022 (In Thousands)	Balance at December 31, 2021 (In Thousands)
<b>ROW</b>	\$ 133	\$ 133
<b>Less: accumulated amortization</b>	(53)	(47)
<b>Net ROW in service</b>	\$ 80	\$ 86
<b>Land application in Progress</b>	0	1
<b>Total ROW, Net</b>	\$ 80	\$ 87

ROWs were funded from nonmember nonutility income. Total amortization expense amounted to \$5,797 for each of the years ending December 31, 2022 and 2021. At December 31, 2022 and 2021, Trust had \$133,234 in ROW permits. No intangible assets were acquired during the years ended December 31, 2022 and December 31, 2021. The schedule below relates to the estimated future amortization expense for ROWs. Other deferred charges include stored water credits with the Arizona Department of Water Resources, rate case and water system plan expenses, and leases.

	At Year-End December 31 (In Thousands)
<b>2023</b>	\$ 6
<b>2024</b>	6
<b>2025</b>	6
<b>2026</b>	6
<b>2027</b>	5
<b>Total</b>	\$ 29

## 10. LONG-TERM DEBT (LTD):

On November 5, 2014, the Arizona Corporation Commission approved a \$3,320,000, 15-year debt instrument with PNC, formerly 'Compass Bank.'

The note to PNC matures on November 14, 2029, when the remaining unpaid balance is due in full. CWC intends to extend the maturity of this note. The future maturities of LTD outstanding at December 31, 2022 based on the terms of the signed commitment, are as follows:

	<b>At Year-End December 31, 2022 (In Thousands)</b>
<b>2023</b>	<b>138</b>
<b>2024</b>	<b>146</b>
<b>2025</b>	<b>156</b>
<b>2026</b>	<b>165</b>
<b>2027</b>	<b>174</b>
<b>2028-2029</b>	<b>1,613</b>
	<b>2,392</b>
<b>Current portion of LTD</b>	<b>(138)</b>
<b>Total LTD, less current portion</b>	<b>\$ 2,254</b>

PNC has a senior lien on CWC's utility plant and the utility's revenues.

CWC's current debt agreement contains various covenants and requires CWC to maintain a water utility operation's debt service ratio of at least 1.2 as of the end of any year. The ratio was 4.35 and 5.11 at December 31, 2022 and 2021, respectively.

Long-term debt monthly payments equal to the accrued interest on the note commenced on December 14, 2014. Monthly principal and interest payments of \$22,730 began on April 14, 2015. Interest accrues at a variable rate of LIBOR plus 2.7%.

The outstanding balances of LTD were \$2,392,478 and \$2,523,334 at December 31, 2022 and December 31, 2021, respectively.

## 11. INCOME TAX:

As a 501(c)(12), income tax did not apply to CWC for 2022 or 2021. SICAN and Trust incurred the following income tax for 2022 or 2021:

	Year Ended December 31, 2022		
	SICAN	Trust	Total
<b><u>Current</u></b>			
Federal	\$ 755	\$ 112	\$ 867
State	183	28	211
Total current tax expense	\$ 938	\$ 140	\$ 1,078
<b><u>Deferred</u></b>			
Federal	\$ (9)	\$ (2,340)	\$ (2,349)
State	0	(479)	(479)
Total deferred tax (benefit)	\$ (9)	(2,819)	(2,828)
Income tax expense(benefit)	\$ 929	\$ (2,679)	\$ (1,750)
	Year Ended December 31, 2021		
	SICAN	Trust	Total
<b><u>Current</u></b>			
Federal	\$ 556	\$ 641	\$ 1,197
State	138	109	247
Total current tax expense	\$ 694	\$ 750	\$ 1,444
<b><u>Deferred</u></b>			
Federal	\$ 7	\$ (4,568)	\$ (4,561)
State	0	(590)	(590)
Total deferred tax (benefit)	\$ 7	(5,158)	(5,151)
Income tax expense(benefit)	\$ 701	\$ (4,408)	\$ (3,707)



## 11. INCOME TAX (Continued):

Deferred taxes are recognized for temporary differences between the bases of assets and liabilities for financial statements and income tax purposes. The differences relate primarily to accrual to cash differences and the amortization lives of intangible assets, and a passive loss carryforward of \$97,025 with no expiration by Trust.

For SICAN, a valuation allowance of \$46,500 is not recognized as a deferred tax asset at December 31, 2022 since the future benefit from accrual to cash differences from the Investment in LLC are not expected to be realized due to expected changes in profit and loss allocations in future years. The valuation increased by \$1,218 during the year ended December 31, 2022.

The components of the Net deferred tax asset (liability) at December 31, 2022 and December 31, 2021 are as follows:

	At December 31, 2022		
	SICAN	Trust	Total
<b><u>Deferred tax asset</u></b>			
<b>Current</b>	\$ 38	\$ 11,075	\$ 11,113
<b>Net deferred tax asset</b>	\$ 38	\$ 11,075	\$ 11,113

	At December 31, 2021		
	SICAN	Trust	Total
<b><u>Deferred tax asset</u></b>			
<b>Noncurrent</b>	\$ 29	\$ 13,049	\$ 13,078
<b><u>Deferred tax liability</u></b>			
<b>Noncurrent</b>	0	(4,793)	(4,793)
<b>Net deferred tax asset</b>	\$ 29	\$ 8,256	\$ 8,285

## 12. CAP CAPITAL CHARGES:

CWC holds a subcontract for 2,858 acre-feet of annual CAP water allocations managed by the Central Arizona Water Conservation District (CAWCD) on behalf of the Bureau of Reclamation. Total CAP Capital Charges are to be billed to subcontract holders between 1993 and 2046. CAWCD has recognized and billed capital charges since its inception at about \$611M at December 31, 2022. CWC's proportionate share of all CAP allocations is .4%, and CWC has paid \$2.6M at December 31, 2022.

### 13. SUPPLEMENTAL CASH FLOW INFORMATION:

CWC and SICAN engaged in the following transactions:

	For the Year 2022 (In Thousands)	For the Year 2021 (In Thousands)
<b>CWC Expired Refundable</b>		
<b>Advances for Construction</b>	\$ 262	\$ 2,299
<b>CWC Interest Paid</b>	\$ 142	\$ 149
<b>SICAN Income Taxes Paid</b>	\$ 1	\$ 1

### 14. RETIREMENT PLANS:

CWC has defined contribution retirement plans that substantially cover all employees working over 1000 hours yearly. Under the provisions of these plans, during 2022 and 2021, CWC contributed between 10% and 19% of qualified employees' salaries and wages to the retirement plans for investment by the plan trustees.

Qualified employees become fully vested in the employer's contributions after five years of eligible service, as defined in the plans. CWC recorded expenses for these contributions of \$192,847 and \$195,504 for the years ended December 31, 2022 and 2021, respectively.

Qualified employees can contribute to the plan under the terms of the 401(k) Profit Sharing Plan.

### 15. FAIR VALUE MEASUREMENTS:

FASB ASC 820, Fair Value Measurements and Disclosures (ASC 820) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CWC Consolidated has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

The level 2 input must be observable for substantially the full-term of the asset or liability if the asset or liability has a specified (contractual) term.

## 15. FAIR VALUE MEASUREMENTS (continued):

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

**Securities Available for Sale – Certificates of Deposits:** The fair values of available-for-sale Certificates of Deposits are based on quoted market prices for those or similar investments.

**Securities Available for Sale – Mortgage-Backed Securities:** The fair values of available-for-sale securities are based on quoted market prices for those or similar investments.

**Mark-to-Market Value of Interest Rate Swap:** The fair value of a mark-to-market interest rate swap is based on the current and present value of projected 1-month LIBOR rates.

The above methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although CWC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. SICAN had no assets measured at fair value in 2022 and 2021.

The following table sets forth by level, within the fair value hierarchy, CWC Consolidated's assets and liabilities at fair value:

	Balance at December 31, 2022 (In Thousands)	Balance at December 31, 2021 (In Thousands)
<b>Level 1</b>		
Securities available for sale		
Certificates of deposit	\$ 3,311	\$ 3,084
Securities available for sale		
Mortgage-backed securities	27	37
<b>Total</b>	<b>\$ 3,338</b>	<b>\$ 3,121</b>
	Balance at December 31, 2022 (In Thousands)	Balance at December 31, 2021 (In Thousands)
<b>Level 2</b>		
Assets – Mark-to-market value of interest rate swap	\$ 86	\$ 0
Liabilities – Mark-to-market value of interest rate swap	\$ 0	\$ 251

## 16. SALES TAXES:

Some transactions require CWC to collect sales tax from our customers. These taxes, which totaled \$287,041 and \$291,660 in 2022 and 2021, respectively, are included in operating revenues.

## 17. PRIOR PERIOD ADJUSTMENTS:

During the current year, Trust implemented ASC842, which concerns lease accounting. As a result of this implementation, Trust restated its accumulated trust deficit balance at January 1, 2021 related to its operating lease. The restatement increased Total assets by about \$10,000, reclassifying the prepaid portion from 'Prepayment' to 'Operating Right-of-Use Asset,' and increased Operating Lease Liability and Total Liabilities by the same amount. Due to rounding, there was no significant impact on net assets, or rent expense.

The following restatements were required for 2021 (in thousands):

	Previously Reported	Adjustment	Restated Amount
Prepayment	\$ 307	\$ (266)	\$ 41
Operating Lease Right Of Use Asset	0	\$ 276	\$ 276
<b>Total Assets</b>	<b>\$ 28,714</b>	<b>\$ 10</b>	<b>\$ 28,724</b>
Operating Lease Liability	\$ 0	\$ 10	\$ 10
<b>Total Liabilities</b>	<b>\$ 18,429</b>	<b>\$ 10</b>	<b>\$ 18,439</b>
Rent Expense	\$ 3	\$ 0	\$ 3
<b>Total Net Assets</b>	<b>\$ 10,285</b>	<b>\$ 0</b>	<b>\$ 10,285</b>

## 18. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through April 25, 2023, the date on which the financial statements were available to be issued.

On March 1, 2023, CWC extended until March 30, 2024 an unused \$800,000 short-term line of credit from PNC to secure land for a new warehouse at a variable rate of the higher of the Prime Rate and the sum of the Overnight Bank Funding Rate plus 50 basis point, plus 200 basis point. There were no additional debt covenants required for the Company to follow. CWC has not offered on a property or withdrawn any funds from the available credit line as of this report.

There were no other subsequent events that required adjustment to the financial statements or additional disclosures.



## Supplemental Consolidating Abbreviated Financial Statements As of December 31, 2022 (in Thousands)

<b>Balance Sheet</b>	<b>CWC</b>	<b>SICAN</b>	<b>Trust</b>	<b>Consolidation Adjustment</b>	<b>Consolidated</b>
<b>Assets</b>					
Current assets	\$ 797	\$ 25	\$ 434	\$ -	\$ 1,256
Noncurrent assets	5,016	160	312	(1,201)	4,287
Deferred charges	130	-	80	-	210
Utility plant	22,771	-	-	-	22,771
<b>Total assets</b>	<b>\$ 28,714</b>	<b>\$ 185</b>	<b>\$ 826</b>	<b>\$ (1,201)</b>	<b>\$ 28,524</b>
<b>Liabilities and net assets</b>					
Current liabilities	\$ 704	\$ -	\$ 1	\$ -	\$ 705
Long-term debt	2,254	-	-	-	2,254
Deferred credits	2,804	-	9	-	2,813
Contributions in-aid-of construction	11,888	-	-	-	11,888
Net assets	11,064	185	816	(1,201)	10,864
<b>Total liabilities and net assets</b>	<b>\$ 28,714</b>	<b>\$ 185</b>	<b>\$ 826</b>	<b>\$ (1,201)</b>	<b>\$ 28,524</b>
<b>Statement of revenues and expenses</b>					
<b>Operating revenues</b>	<b>\$ 4,584</b>	<b>\$ 9</b>	<b>\$ 5</b>	<b>\$ (4)</b>	<b>\$ 4,594</b>
<b>Operating expenses</b>					
Operations	2,398	5	25	(4)	2,424
Maintenance	491	-	-	-	491
Depreciation and amortization	562	-	-	-	562
Taxes - other	547	-	-	-	547
<b>Total operating expenses</b>	<b>3,998</b>	<b>5</b>	<b>25</b>	<b>(4)</b>	<b>4,024</b>
<b>Excess of oper. revenues over expenses</b>	<b>586</b>	<b>4</b>	<b>(20)</b>	<b>-</b>	<b>570</b>
Income tax	-	(1)	3	-	2
Other revenues (expenses)	(188)	(5)	1	-	(192)
<b>Excess of revenues over expenses</b>	<b>\$ 398</b>	<b>\$ (2)</b>	<b>\$ (16)</b>	<b>\$ -</b>	<b>\$ 380</b>
<b>Statement of cash flow</b>					
<b>Cash flow provided by (to) operating activities</b>					
Excess of revenues over expenses	\$ 398	\$ (2)	\$ (16)	\$ -	\$ 380
Depreciation and amortization	562	-	6	-	568
Net changes	(119)	5	1	-	(113)
<b>Net cash provided by (to) oper. activities</b>	<b>841</b>	<b>3</b>	<b>(9)</b>	<b>-</b>	<b>835</b>
<b>Cash flow used investing activities</b>					
Capital expenditures	(1,221)	-	-	-	(1,221)
Net other investing activities	(304)	-	-	-	(304)
<b>Net cash used in investing activities</b>	<b>(1,525)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,525)</b>
<b>Cash flow provided by (used for) financing activities</b>					
Repayment of long-term debt	(131)	-	-	-	(131)
Net other financing activities	348	-	71	-	419
<b>Net cash provided by (used for) fin. activities</b>	<b>217</b>	<b>-</b>	<b>71</b>	<b>-</b>	<b>288</b>
<b>Net change in cash and cash equivalents</b>	<b>\$ (467)</b>	<b>\$ 3</b>	<b>\$ 62</b>	<b>\$ -</b>	<b>\$ (402)</b>

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is to reliably deliver drinking water to our customers that meets all regulated standards, and to maintain a current and future water supply for our customers.



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