

ORIGINAL NEW APPLICATION



0000062470

BEFORE THE ARIZONA CORPORATION COMMISSION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

COMMISSIONERS
JEFF HATCH-MILLER, CHAIRMAN
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

2006 NOV 13 P 3:32
AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED
NOV 13 2006

DOCKETED BY
NUL

W-01416A-06-0719

**IN THE MATTER OF THE
APPLICATION OF DONEY PARK
WATER FOR APPROVAL OF
FINANCING**

DOCKET NO. W-01416A-06-
FINANCING APPLICATION
(Expedited Processing Requested)

Doney Park Water Company ("Applicant") pursuant to A.R.S. § 40-301, *et seq.*, seeks Arizona Corporation Commission ("Commission") authorization to issue up to One Million Five Hundred Thirty Thousand Dollars (\$1,530,000.00) in long-term indebtedness with the Industrial Development Authority of Coconino County ("IDA") on the terms and conditions and for the purposes set forth below. As the subject financing is associated with the drilling of two new wells, which will be drilled in January and February of 2007, Applicant respectfully requests the Commission expedite processing of this Application.

This Application is supported by the following:

Background

1. Applicant is an Arizona nonprofit member-owned corporation authorized by the Commission to operate as a public service corporation providing water service to customers within its certificated area in Coconino County, Arizona.

1 \$1,530,000.00 in financing.] The IDA is expected to provide final approval on November 27,
2 2006, with the Coconino County Board of Supervisors' action currently anticipated at its
3 December 5, 2006 open meeting.

4
5 8. By going through the IDA, Applicant is able to get more favorable, tax-
6 exempt, financing than otherwise available. The proposed terms and conditions are set forth
7 on **Exhibit E**. The interest rate will be determined 30 days prior to close and will be
8 dependent on the 10-year Treasury Bond rate. A 15-year loan will be set 1.05 basis points
9 above the then current 10-year Treasury Bond rate. Repayment will be monthly. At an
10 estimated interest rate of 5.85%, monthly loan payments for a 15-year loan would be
11 approximately \$12,787.35. The financing shall be secured by Applicant's general revenues.
12 There will be no lien on any of the Applicant's assets.
13

14 9. The proceeds of the IDA financing will be used to pay the costs of
15 drilling, equipping (including associated electrical and pressure tanks) and interconnecting
16 two new wells, including certain costs of securing financing.
17

18 10. Applicant's Board of Directors has authorized the Applicant to pursue the
19 IDA financing for the purpose of financing two new wells. *See*, Certification of Excerpt of
20 August 28, 2006 Minutes attached as **Exhibit F**.

21 11. The execution of the necessary documents to effectuate financing in a
22 total amount not to exceed One Million Five Hundred Thirty Thousand Dollars
23 (\$1,530,000.00) is for lawful purposes which are within the corporate powers of Applicant,
24 are compatible with the public interest, with sound financial practices, and with the proper
25

1 performance of Applicant of service as a public service corporation and will not impair
2 Applicant's ability to perform that service.

3 **Applicant's Finances**

4
5 12. A copy of Applicant's unaudited statement of assets, liabilities and
6 equities as of September 30, 2006 and the related statement of revenue and expenses as
7 prepared by management are attached as **Exhibit G**. A copy of Applicant's audited statement
8 for the year ending December 31, 2005 is attached as **Exhibit H**.

9 13. Applicant collects a Commission approved Development Fee of \$2,000
10 per new connection to be used for backbone plant, including wells. As Applicant is a
11 member-owned nonprofit corporation, development fees are booked as equity, not as
12 operating income. *See* Decision No. 54298. Applicant's audited financial statement for the
13 year ending December 31, 2005 (**Exhibit H**) reflects an increase in Development Fees of
14 \$146,000 and \$245,860 for 2005 and 2004 respectively (i.e., the amount of Development Fees
15 booked each year). The Development Fees, together with general revenues, will be adequate
16 to repay this requested financing.
17

18 **Public Notice**

19
20 14. Applicant proposes to give notice of this Application by publishing
21 public notice, in the form attached hereto as **Exhibit I**, once in a newspaper of general
22 circulation available to customers within Applicant's certificated area. Such notice shall be
23 published within twenty (20) days of the filing of this Application.
24

1 with copies to:

2

Mr. Bill Linville, General Manager
Doney Park Water Company
5290 East Northgate Loop
Flagstaff, Arizona 86004

3

4

5

WHEREFORE, Doney Park Water Company respectfully requests the

6

Commission summarily find the Application to be administratively complete and enter its

7

order(s):

8

1. Granting Applicant's request to process the Application in an expedited manner;

9

10

2. Expeditiously, authorizing Applicant to execute promissory notes and related

11

agreements with the IDA in the cumulative amount not to exceed One Million

12

Five Hundred Thirty Thousand Dollars (\$1,530,000.00) on the terms and for the

13

purposes set forth above; and

14

3. Granting such other relief as the Commission deems appropriate under the

15

circumstance.

16

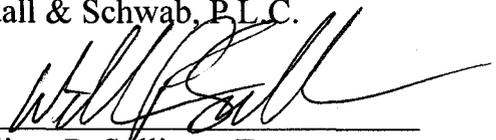
DATED this 13th day of November, 2006.

17

Curtis, Goodwin, Sullivan,
Udall & Schwab, P.L.C.

18

19

By: 
William P. Sullivan, Esq.

20

21

Nancy Mangone, Esq.

22

2712 North Seventh Street

23

Phoenix, AZ 85006-1003

24

Attorney for Doney Park Water Company

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

PROOF OF AND CERTIFICATE OF MAILING

I hereby certify that on this 13th day of November, 2006, I caused the foregoing document to be served on the Arizona Corporation Commission by delivering the original and thirteen (13) copies of the above to:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Mary Walker

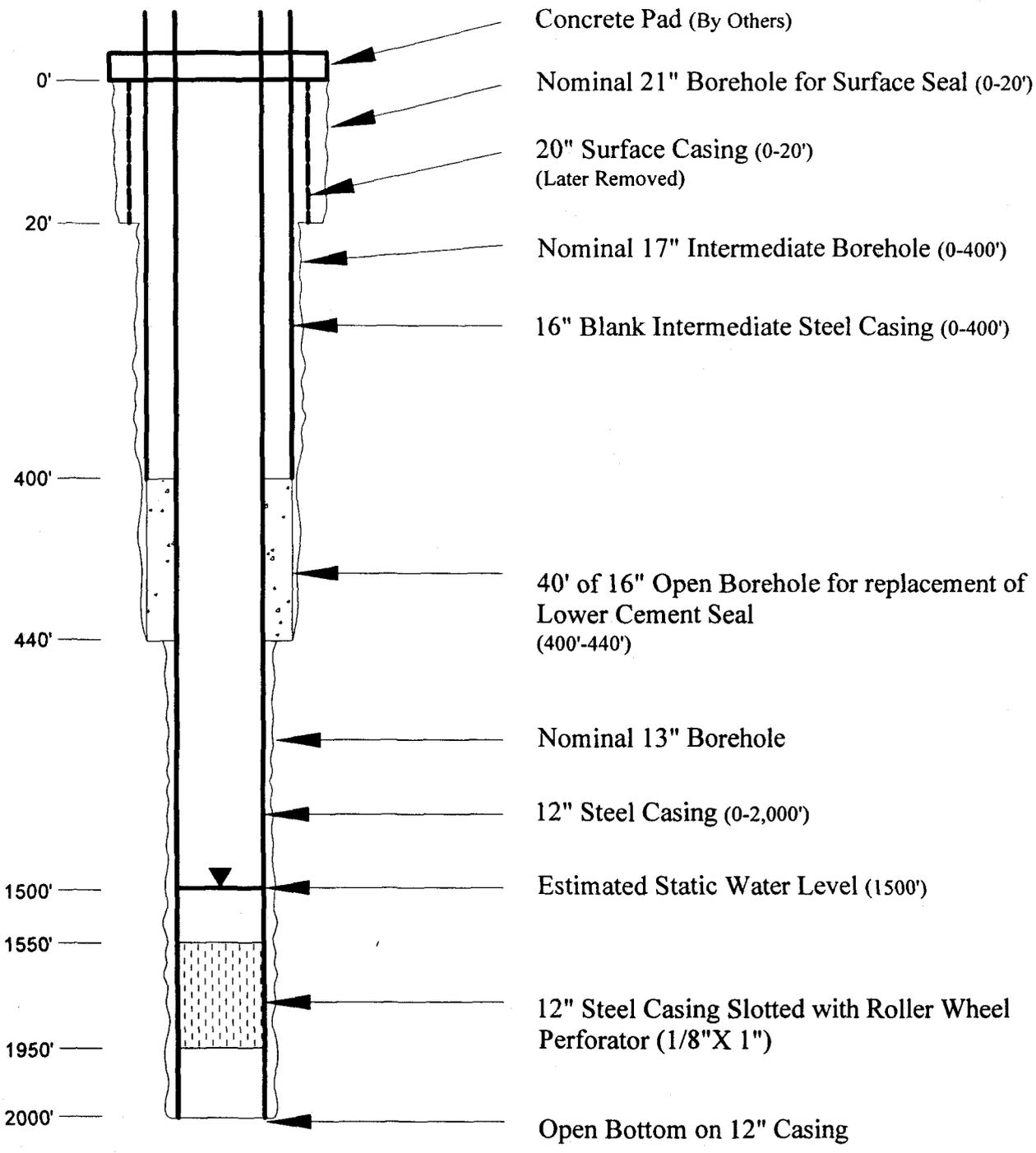
374\17-1(Well Financing) 2006\Pleadings\Financing App.doc

EXHIBIT A

WATER USE DATA SHEET

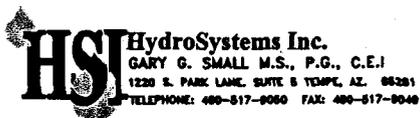
NAME OF COMPANY		<i>Doney Park Water</i>	
ADEQ Public Water System No.		<i>03-005</i>	
MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS		GALLONS SOLD (Thousands)
<i>September-05</i>	<i>3,243</i>		<i>21,527,082</i>
<i>October-05</i>	<i>3,267</i>		<i>18,143,510</i>
<i>November-05</i>	<i>3,249</i>		<i>17,112,070</i>
<i>December-05</i>	<i>3,260</i>		<i>13,805,789</i>
<i>January-06</i>	<i>3,256</i>		<i>18,087,971</i>
<i>February-06</i>	<i>3,243</i>		<i>15,135,733</i>
<i>March-06</i>	<i>3,259</i>		<i>15,063,298</i>
<i>April-06</i>	<i>3,250</i>		<i>17,951,430</i>
<i>May-06</i>	<i>3,259</i>		<i>25,671,690</i>
<i>June-06</i>	<i>3,259</i>		<i>31,244,062</i>
<i>July-06</i>	<i>3,340</i>		<i>25,402,636</i>
<i>August-06</i>	<i>3,294</i>		<i>23,552,658</i>
<i>September-06</i>	<i>3,300</i>		<i>18,857,247</i>
STORAGE TANK CAPACITY (Gallons)	NUMBER OF EACH	ARIZONA DEPT. OF WATER RESOURCES WELL I.D. NUMBER	WELL PRODUCTION (Gallons per Minute)
<i>9,700</i>	<i>2</i>	<i>55-618151</i>	<i>75 GPM</i>
<i>20,300</i>	<i>1</i>	<i>55-618151</i>	<i>75 GPM</i>
<i>28,420</i>	<i>1</i>	<i>55-618151</i>	<i>75 GPM</i>
<i>81,200</i>	<i>1</i>	<i>55-618153</i>	<i>50 GPM</i>
<i>88,000</i>	<i>2</i>	<i>55-618148</i>	<i>510 GPM</i>
<i>105,700</i>	<i>2</i>	<i>55-520097</i>	<i>540 GPM</i>
<i>160,800</i>	<i>1</i>	<i>55-520097</i>	<i>540 GPM</i>
<i>423,000</i>	<i>1</i>	<i>55-618150</i>	<i>280 GPM</i>
<i>19,860</i>	<i>7</i>	<i>55-618149</i>	<i>290 GPM</i>
<i>508,000</i>	<i>1</i>	<i>Tank Site</i>	<i>0</i>
<i>423,000</i>	<i>1</i>	<i>Tank Site</i>	<i>0</i>
Other Water Sources In Gallons per Minute			GPM <i>0</i>
Fire Hydrants on System			<input checked="" type="radio"/> Yes <input type="radio"/> No
Total Water Pumped Last 13 Month (Gallons in Thousands)			<i>261,555,176</i>

EXHIBIT B



NOT TO SCALE

Dual Rotary Completion



**Doney Park Water
Conceptual Well Design**

EXHIBIT C

**Contractor's Bid Estimate
Doney Park Water
12-inch Well**

Item No.	Text Ref.	Description of Borehole	Unit	Quant	Unit Price	Total
1		Mobilization and demobilization	LS	1	12,000	12,000
2		Conductor borehole drilling, casing, and surface seal (nominal 20" to 20')	LF	20	400	8,000
3		Intermediate borehole drilling (16" dia, 20' to 440' - estimated)	LF	420	300	126,000
4		Intermediate 16" casing and installation (0' to 400' - estimated)	LF	400	58	23,200
5		Install 2' pea gravel, 2' bentonite chips, 40' cement grout	CF	46	125	5,750
6		Borehole drilling (12" dia 440' to 2,000')	LF	1,560	235	366,600
7		Blank Casing (nominal 12", 0.312 wall)	LF	2,000	48	96,000
8		Slot blank casing with roller wheel (1/8" x 2" 1,550' to 1,950')	LF	400	50	20,000
9		Preliminary Well Development	HR	24	450	10,800
10		Standby Time	HR	12	350	4,200
					TOTAL WELL COST \$	672,550
Optional Costs						
11		Well abandonment (if required)	LS	1	20,000	
12		Standby time	HR	1	350	

EXHIBIT D

THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE COUNTY OF COCONINO

RESOLUTION NO. 2006-__

A RESOLUTION GRANTING PRELIMINARY APPROVAL TO
THE ISSUANCE OF INDUSTRIAL DEVELOPMENT
REVENUE BONDS OF THE INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE COUNTY OF COCONINO,
IN PRINCIPAL AMOUNT NOT TO EXCEED \$2,000,000
TO FINANCE A PROJECT FOR
DONEY PARK WATER
(DONEY PARK WATER PROJECT)

RESOLUTION NO. 2006-____
A RESOLUTION GRANTING PRELIMINARY APPROVAL TO
THE ISSUANCE OF INDUSTRIAL DEVELOPMENT
REVENUE BONDS OF THE INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE COUNTY OF COCONINO,
IN PRINCIPAL AMOUNT NOT TO EXCEED \$2,000,000
TO FINANCE A PROJECT FOR
DONEY PARK WATER
(DONEY PARK WATER PROJECT)

WHEREAS, The Industrial Development Authority of the County of Coconino (the "Authority") is an Arizona nonprofit corporation designated as a political subdivision of the State of Arizona empowered under the Industrial Development Financing Act, A.R.S. § 35-701 through § 35-761, inclusive (the "Act"), to issue industrial development revenue bonds for the purposes set forth in the Act, including the making of secured or unsecured loans for the purpose of financing the acquisition, construction, improvement or equipping of a "project" whenever the Board of Directors of the Authority finds such loans to be in furtherance of the purposes of the Authority or in the public interest; and

WHEREAS, the term "project" includes within its meaning any land, any building, or other improvement, and all real and personal properties which are suitable for facilities for the furnishing of electric energy, gas or water; and

WHEREAS, the Applicant, Doney Park Water, a Arizona not-for-profit corporation (the "Applicant") has submitted an application to the Authority requesting that the Authority issue its Industrial Development Revenue Bonds (Doney Park Water Project) Series 2006 (the "Bonds") and loan the proceeds thereof to the Applicant to finance the acquisition, construction, improving and equipping of certain water wells located in Coconino County, Arizona within the service area of the Applicant, which encompasses approximately 44 square miles northeast of the City of Flagstaff, Arizona (the "Project") and certain costs and expenses incidental thereto; and

WHEREAS, in furtherance of the purposes of the Act, the Issuer is preliminarily considering the issuance of the Bonds, the proceeds of which will be loaned to the Applicant to assist the Applicant in the financing of the acquisition, construction and equipping of the Project; and

WHEREAS, it is intended that the Authority take official action within the meaning of the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and any regulations promulgated thereunder for the purpose of issuing the Bonds in an amount not to exceed \$2,000,000 for the purpose of loaning the proceeds thereof to the Applicant to finance all or a portion of the cost of the acquisition, construction, improvement, equipping and operation of the Project; and

WHEREAS, the Applicant will agree in a loan agreement with the Authority to make payments sufficient to pay the principal of such Bonds and the redemption premium, if any, and interest thereon, and the Applicant by submitting its application to the Authority has agreed, and in the loan agreement with the Authority will agree, to indemnify the Authority and the County for, from and against, any and all expenses as may be incurred by the Authority, its board and staff advisors (including reasonable attorney's fees) in connection with the financing of the Project;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of The Industrial Development Authority of the County of Coconino, that:

Section 1. The Board of Directors of the Authority finds that the issuance of the Bonds and the making of a loan to the Applicant for the purpose of financing the Project are in furtherance of the purposes of the Authority under the Act and in the public interest.

Section 2. The Authority hereby grants preliminary approval to the issuance and sale of the Bonds in an aggregate principal amount not to exceed \$2,000,000. This preliminary approval is subject to the following terms and conditions:

2.1. The Applicant must comply fully with all applicable provisions of the Authority's Procedural Pamphlet, originally adopted August 8, 1985 and as amended through the date of the Application (the "Pamphlet"), relating to the issuance and sale of the Bonds.

2.2. Prior to closing of the Bonds, the Applicant shall make arrangements satisfactory to the Authority as to the payment of the Authority's costs and fees.

2.3. If the Bonds are to bear interest at a variable rate, principal and purchase price (upon tender) of and interest on the Bonds must be payable from the proceeds of a direct pay credit facility issued by a financial institution acceptable to the Authority, and, prior to or concurrent with the closing of the issuance and the sale of the Bonds, the Authority must be provided evidence that the credit facility has been issued, is in effect and is in form and substance satisfactory to the Authority's Legal Advisor.

2.4. If the Bonds are to be secured by a letter of credit, surety bond, insurance policy, mortgage-backed security or other similar agreements or credit facilities, then the Applicant must submit to the Legal Advisor (i) the proposed forms of the credit enhancement documents for its review and (ii) legal opinions of counsel to the credit enhancement provider to the effect that the credit enhancement documents are legal, valid and binding obligations of the provider.

2.5. If the Bonds are to be offered publicly, they must obtain an investment grade rating of at least "A" from a nationally recognized rating agency. If such a rating is not obtained, (a) the offer and sale of the Bonds must be limited to "accredited investors" within the meaning of Rule 501 of Regulation D, but excluding natural persons, or "qualified institutional buyers" within the meaning of Rule 144A, promulgated under the Securities Act of 1933, (b) the Authority must receive investment letters from such purchasers in form and substance satisfactory to Legal Advisor, and (c) any subsequent transfers and resales of the Bonds must be similarly restricted.

2.6. If the Bonds are to be privately-placed, the Bond underwriter or ultimate purchaser of the Bonds must submit an investment letter to the Authority, including representations that they have performed their own due diligence of the Project, and will purchase and hold the Bonds as a private placement. Any subsequent resale of the Bonds must be restricted to accredited investors or qualified institutional buyers as described above.

2.7. Counsel to the Applicant must deliver an opinion, addressed and in form acceptable to the Authority, prior to closing, to the effect that all of the statements and information pertaining to the Applicant and the Project contained in the offering materials (the "Official Statement") distributed in connection with the offer and sale of the Bonds is correct and complete in all material respects, and nothing has come to their attention which would lead them to believe that the portions of the Official Statement that contain such information contain any untrue statements of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

2.8. Legal Advisor to the Authority must receive such legal opinions, certificates and other proceedings as are necessary and advisable to evidence compliance by the Applicant and the Bond Underwriter with the Authority's policies and procedures and applicable federal and state laws.

2.9. The Authority, its officers and directors, and the County of Coconino must be provided with full indemnification in connection with the issuance and sale of the Bonds, in form and substance satisfactory to the Authority's legal counsel.

2.10. The Project must receive a volume cap allocation from the Department of Commerce in an amount not to exceed \$2,000,000.

2.11. The Applicant must receive final approval of the Bonds from the Board of Supervisors of the County of Coconino prior to closing.

2.12. All requirements of the Code must be satisfied including without limitation, the requirement of approval by the Board of Supervisors after a public hearing following reasonable notice.

Section 3. Nothing contained in this Resolution nor in any other instrument may be considered as obligating the Authority or the County of Coconino to any pecuniary liability or charge upon the general credit of the Authority or the County of Coconino. Furthermore, it is understood that no costs are to be borne by the Authority with respect to the Project and the issuance and sale of the Bonds, and that the Applicant will promptly reimburse the Authority for any other expenses reasonably incurred by the Authority, including the fees of its Legal Counsel and Financial Advisor, whether or not the Bonds are issued or sold.

Section 4. The Authority is hereby authorized to determine, in consultation with the Applicant, a date for a public hearing on the plan of financing of the Project and the proposed issuance of the Bonds, as required by Section 147(f) of the Code, and to publish a public notice of such hearing in such form as approved by the Applicant and Bond Counsel.

Section 5. The Applicant is authorized to file a request for allocation for private activity bonding authority through the Department in an amount which shall not exceed \$2,000,000.

Section 6. Legal Advisor and officers and staff of the Authority are hereby authorized and directed to prepare and disseminate, or cause to be prepared and disseminated any necessary related documents and agreements with respect to the proposed issuance of the Bonds.

Section 7. All actions of the officers, staff, directors and agents of the Authority which are in conformity with the purposes and intent of this Resolution and in furtherance thereof, whether heretofore or hereafter taken, shall be and are hereby ratified, confirmed and approved. The proper officers, staff, directors and agents of the Authority are hereby authorized and directed to do all such acts on behalf of the Authority as may be deemed necessary or desirable to carry out the terms and intent of this Resolution.

Section 8. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, and this Resolution shall be in immediate effect from and after its adoption.

Section 9. Any provisions of any bylaws, orders, procedural pamphlets and resolutions of the Authority inconsistent herewith are hereby waived to the extent only of such inconsistency. This

waiver shall not be construed as repealing any bylaw, order, procedural pamphlet or resolution or any part thereof.

Section 10. This Resolution is an affirmative official action and official intent of the Authority relating to the issuance of the Bonds as contemplated herein including, without limitation, under Treasury Regulations Section 1.150-2.

Section 11. It is found and determined that all formal actions of the Authority and its Board concerning and relating to the adoption of this Resolution were adopted in an open meeting and that all deliberations that resulted in those formal actions were in meetings open to the public, in compliance with all legal requirements of the State and the Authority.

Section 12. If any section, paragraph, clause or provision of this Resolution is for any reason held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision does not affect any of the remaining provisions of this Resolution.

Section 13. Arizona Revised Statutes Section 38-511 requires that every contract to which the State, its political subdivisions or any of the departments or agencies of the State or its political subdivisions is a party include notice that such contract is subject to cancellation, within three years after its execution, by the State, political subdivision, department or agency which is a party to such contract if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, political subdivision, department or agency is, at any time while the contract is in effect, an employee of any other party to the contract or an agent or consultant of any other party to the contract with respect to the subject matter of the contract.

Section 14. This Resolution shall be effective immediately.

Passed and adopted this 8th day of November, 2006.

THE INDUSTRIAL DEVELOPMENT
AUTHORITY OF THE COUNTY OF COCONINO

By: 
Its: President 

ATTEST:

Secretary

EXHIBIT E

Public Finance

Wells Fargo Brokerage Services, LLC

Kevin D. O'Connor
Senior Vice President
C7300-011
1740 Broadway
Denver, CO 80274

\$1,530,000***Coconino County Industrial Development Authority****Tax-Exempt****501-c3 Industrial Revenue Bonds****Doney Park Water. Project****Series 2005*****subject to change**

This Summary is for discussion purposes only and should not be construed as a financing or commitment. This Summary is not intended to define or describe all of the terms and conditions of the proposed transactions.

Borrower: Doney Park Water Company, Tucson, AZ., a 501-c12 non-profit organization eligible under Arizona statutes to borrow through Industrial revenue bonds.

Issuer: Industrial Development Authority of Coconino County, Arizona

Purchaser: Wells Fargo Brokerage Services, LLC

Debt Instrument Revenue Bond issued through the Authority and secured by a gross revenue pledge. and a first mortgage on the financed facilities.

Project: Well construction

Project Cost: \$1,500,000
\$30,000 towards cost of issuance

Bond Counsel: Lewis & Rocha, Phoenix AZ

Issuer Counsel: Magnum, Wall, Stoops, Warden, Flagstaff, Arizona

Purchasers Counsel: Klein Veio Alvarado, Denver Colorado

Issuance Expense: The Borrower will assume all costs of issuance. Costs of issuance are estimated at:
Authority \$3,500
Bond Counsel \$25,000, plus expenses

WellsFargo Public Finance (WFPF) bankers are registered representatives of Wells Fargo Brokerage Services, LLC, or Wells Fargo Institutional Securities, LLC, brokerage affiliates of Wells Fargo & Company and members of the NASD and SIPC.

Investments: * NOT FDIC insured * May lose value * No bank guarantee

Authority Counsel \$15,000, plus expenses (est)
borrowers counsel, \$10,000 (est.)
Purchasers Counsel \$10,000, plus expenses
Up to 2% of the par amount borrowed can be used to pay for
issuance costs. \$30,000 capitalized in loan for this purpose

Anticipated Issue Date: It is anticipated bonds would be issued 75 days after the beginning of documentation.

Covenants: Audited financial statements of borrower 120 days after fiscal year, annual budget and quarterly financial reports 30 days after period.
One year Debt Service Reserve Fund on balance sheet
Debt Service coverage of 1.5X's.
Maintenance of 501-c12 status
Monthly debt service payments.
Parity debt with notice to the lender and if covenants are met.

Tax Status: This Bond is subject to the Issuer being qualified as a governmental entity or "political subdivision" within the meaning of Section 103(a) of the Internal Revenue Code of 1986 as amended. Borrower agrees to cooperate with Lender in providing evidence as deemed necessary or desirable by Lender to substantiate Borrower's and this transaction's tax-exempt status, including Borrower's providing an attorney's opinion from the firm of Lewis and Rocha, Phoenix.

Bond Term: 10 year or 15

Bond Payments: Monthly, Please see attached Schedule

Prepayment On any payment date in full with a 2% penalty on outstanding principal in years 1-5, a 1.0% penalty in years 6-10, par thereafter.

Interest Rate to Borrower: 10 years - 5.75%
15

years - 5.85%

Rate set: The interest rate quoted is subject to adjustment. Rate will be fixed when closing date (**30 days maximum hold**) is established by Issuer. The rate will be adjusted plus or minus the change in the 10-year Treasury Bond (4.80% is the baseline for the 08-23-2006 Treasury Note).

WellsFargo Public Finance (WFPF) bankers are registered representatives of Wells Fargo Brokerage Services, LLC, or Wells Fargo Institutional Securities, LLC, brokerage affiliates of Wells Fargo & Company and members of the NASD and SIPC.

Investments: * NOT FDIC insured * May lose value * No bank guarantee

Credit Review: This proposal is subject to WFBS's review of bond documents and financial reports.

Thank you for your interest in Wells Fargo's tax-exempt Note-purchase program. Please do not hesitate to contact me at (303) 863-5089 with any questions or concerns regarding this proposal. If you would like us to proceed with our formal approval and documentation, please indicate by signing the signature page of this proposal and returning it to my attention.

Sincerely,

Senior Vice President
Wells Fargo Brokerage Services, LLC

ACCEPTANCE AND SIGNATURE PAGE

Accepted and Agreed to _____, 2006

Borrower:

Accepted by: _____
(Authorized Signature)

Title: _____

Wells Fargo Public Finance (WFPF) bankers are registered representatives of Wells Fargo Brokerage Services, LLC, or Wells Fargo Institutional Securities, LLC, brokerage affiliates of Wells Fargo & Co. and members of the NASD and SIPC.

Investments: *Not FDIC insured *May lose value *No bank guarantee

WellsFargo Public Finance (WFPF) bankers are registered representatives of Wells Fargo Brokerage Services, LLC, or Wells Fargo Institutional Securities, LLC, brokerage affiliates of Wells Fargo & Company and members of the NASD and SIPC.

Investments: * NOT FDIC insured * May lose value * No bank guarantee

EXHIBIT F

**CERTIFICATION OF EXCEPT
OF AUGUST 28, 2006 MINUTES**

"The next item on the agenda was the proposal of the *sale of revenue bonds* for well drilling. Bill Linville investigated the financial feasibility of 15 year County Industrial Bonds as opposed to a Wells Fargo loan. The bonds are less expensive than a commercial bank loan. The money would be used to drill two new wells and equipped [*sic*] one well. Ed Peacock made a motion to pursue the purchase of the bonds. Selden Wasson seconded. The motion was unanimously approved."

THIS IS TO CERTIFY that the foregoing is a true and correct recitation of an excerpt of the August 28, 2006 meeting minutes of the Doney Park Water Board of Directors whereby the Board authorized pursuing the bonds by the Industrial Development Authority of Coconino County, Arizona.

DATED this 9 day of November, 2006.

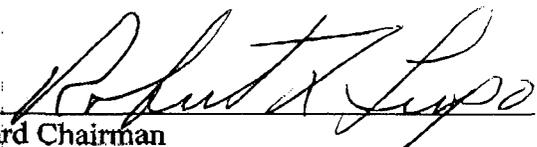

Board Chairman

EXHIBIT G

10/30/06
3:05:11 PM**DONEY PARK WATER****Balance Sheet**

As of 9/30/2006

Assets**Current Assets**

Cash	\$543,468.44	
Accounts Receivable	197,994.56	
Inventory	239,406.92	
Prepaid Expenses	29,084.06	
Deposits Paid	5,381.00	
Total Current Assets		\$1,015,334.98

Property, Plant & Equipment

Plant in Service	\$14,805,917.34	
CWIP	829,478.57	
Accumulated Depreciation	(7,007,928.57)	
Total Property, Plant & Equipment		8,627,467.34

Total Assets**\$9,642,802.32****Liabilities and Equity****Current Liabilities**

Accounts Payable	\$70,573.49	
Meter Deposits & AIAC	37,000.00	
Taxes Payable	72,794.33	
Other Accrued Payables	83,523.56	
Advances for CWIP	21,125.24	
Customer Deposits	105,550.63	
Total Current Liabilities		\$390,567.25

Long Term Liabilities

Advances In Aid of Constr	\$3,601,649.06	
Total Long Term Liabilities		3,601,649.06

Total Liabilities**\$3,992,216.31****Equity**

Contributions in Aid of Constr	\$1,345,370.28	
Other Paid In Capital	3,341,326.00	
Retained Earnings	859,758.14	
Current Year Profit/Loss	104,131.59	
Total Equity		5,650,586.01

Total Liabilities and Equity**\$9,642,802.32**

DONEY PARK WATER INCOME STATEMENTS FOR 2006

LINE NO.	REVENUES	AUGUST		SEPTEMBER		YTD		SEPTEMBER	LAST YEAR COMPARISON		
		2006	2005	2006	2005	2006	2005		2006	2005	YTD 2005
1	Residential Revenue	\$175,979	88.4%	\$134,142	87.0%	\$1,411,004	89.2%	\$152,442	88.6%	\$1,336,929	88.2%
2	Commercial Revenue	\$18,647	9.4%	\$14,691	9.5%	\$138,511	8.8%	\$7,278	4.2%	\$120,741	8.1%
3	Standpipe Revenue	\$1,055	0.5%	\$1,208	0.8%	\$7,644	0.5%	\$9,673	5.7%	\$19,139	1.3%
4	Misc Revenues	\$3,330	1.7%	\$4,071	2.6%	\$24,902	1.6%	\$2,429	1.4%	\$21,322	1.4%
5	TOTAL REVENUES	\$199,010	100.0%	\$154,112	100.0%	\$1,582,061	100.0%	\$172,021	100.0%	\$1,498,131	100.0%
OPERATING EXPENSES											
6	Wages & Salaries	\$47,451	23.8%	\$48,163	31.3%	\$442,662	28.0%	\$52,165	30.3%	\$437,852	28.2%
7	Capital Costs Transferred	(\$3,204)	-1.6%	(\$3,937)	-2.6%	(\$67,767)	-4.3%	(\$9,355)	-5.4%	(\$46,481)	-3.1%
8	CC Control Costs Transferred	(\$170)	-0.1%	\$0	0.0%	(\$4,120)	-0.3%	\$0	0.0%	(\$467)	0.0%
9	Employee Benefits/Taxes	\$9,068	4.6%	\$9,697	6.3%	\$104,257	6.6%	\$11,758	6.8%	\$133,114	8.9%
10	Casual Labor	\$777	0.4%	\$1,320	0.9%	\$5,832	0.4%	\$0	0.0%	\$690	0.0%
11	Power for Pumping	\$32,071	16.1%	\$28,377	18.4%	\$271,820	17.2%	\$28,388	16.5%	\$235,417	15.7%
12	Supplies, Parts, Materials	\$2,539	1.3%	\$1,243	0.8%	\$14,988	0.9%	\$923	0.5%	\$25,551	1.7%
13	Repairs & Maintenance	\$5,510	2.8%	\$3,897	2.5%	\$41,708	2.6%	\$2,326	1.4%	\$20,349	1.4%
14	Outside Services	\$9,122	4.6%	\$3,107	2.0%	\$39,332	2.5%	\$9,896	5.8%	\$68,265	4.6%
15	Equipment Expense	\$627	0.4%	\$599	0.4%	\$6,937	0.4%	\$1,099	0.6%	\$10,884	0.7%
16	Transportation Expense	\$2,202	1.1%	\$2,437	1.6%	\$23,995	1.5%	\$2,531	1.5%	\$26,521	1.9%
17	Insurance	\$4,282	2.2%	\$3,915	2.5%	\$36,790	2.3%	\$3,480	2.0%	\$31,621	2.1%
18	Office & Other Expense	\$4,568	2.3%	\$3,122	2.0%	\$51,252	3.2%	\$8,370	4.9%	\$64,909	4.3%
19	Customer Relations	\$0	0.0%	\$0	0.0%	\$1,280	0.1%	\$0	0.0%	\$4,023	0.3%
20	Taxes	\$7,153	3.6%	\$7,153	4.6%	\$62,432	3.9%	\$6,608	3.8%	\$59,468	4.0%
21	Misc Expenses	\$642	0.3%	\$1,160	0.8%	\$6,323	0.4%	\$239	0.1%	\$4,999	0.3%
22	Cross Connection Control	\$170	0.1%	\$0	0.0%	\$9,365	0.6%	\$0	0.0%	\$534	0.0%
23	Depreciation Expense	\$51,015	25.6%	\$51,015	33.1%	\$459,135	29.0%	\$47,295	27.5%	\$425,555	28.4%
24	TOTAL OPERATING EXPENSES	\$174,023	87.4%	\$161,269	104.6%	\$1,505,902	95.2%	\$165,722	96.3%	\$1,504,903	100.5%
25	NET OPERATING INCOME	\$24,987	12.6%	(\$7,157)	-4.6%	\$76,160	4.8%	\$6,299	3.7%	(\$5,772)	-0.5%
OTHER INCOME (EXPENSE)											
26	Interest Expense	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
27	Interest Income	\$909	0.5%	\$1,145	0.7%	\$9,085	0.6%	\$516	0.3%	\$3,888	0.3%
28	Non-operating Revenue	\$145	0.1%	\$91	0.1%	\$18,887	1.2%	\$503	0.3%	\$13,664	0.9%
29	TOTAL OTHER INCOME (EXPENSE)	\$1,055	0.5%	\$1,236	0.8%	\$27,972	1.8%	\$1,020	0.6%	\$17,552	1.2%
30	NET INCOME	\$26,042	13.1%	(\$5,920)	-3.8%	\$104,132	6.6%	\$7,319	4.3%	\$10,780	0.7%

EXHIBIT H

Doney Park Water

Financial Statements

Years Ended December 31, 2005 and 2004

And Independent Auditor's Report

Doney Park Water

Years Ended December 31, 2005 and 2004

CONTENTS

	<u>Page</u>
Report of Independent Auditor	1
Statements of Assets, Liabilities, and Members' Equity	2
Statements of Operations and Changes in Members' Accumulated Earnings	4
Statements of Cash Flows	6
Notes to Financial Statements	7

BRADLEY C. SCOTT, CPA, PLLC
Certified Public Accountant

405 North Beaver, Suite 6
Flagstaff, Arizona 86001
(928) 774-6164
Fax (928) 774-6379

Bradley C. Scott, MBA, CPA

Member:
American Institute of Certified Public Accountants
Arizona Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Doney Park Water
Flagstaff, Arizona

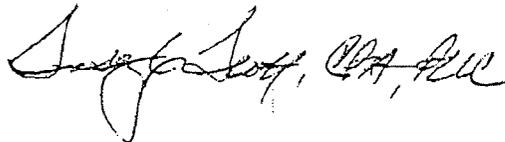
I have audited the accompanying statement of assets, liabilities, and members' equity -- regulatory basis of Doney Park Water (a not for profit corporation) as of December 31, 2005 and 2004, and the related statements of operations and changes members' accumulated earnings -- regulatory basis, and cash flows -- regulatory basis for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed by the National Association of Regulatory Utility Commissioners, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and members' equity of Doney Park Water as of December 31, 2005 and 2004 and its operations and members' accumulated earnings, and cash flows for the years then ended, on the basis of accounting described in Note 1.

June 2, 2006
Flagstaff, Arizona



Doney Park Water**Statements Of Assets, Liabilities, And Members' Equity -
Regulatory Basis
December 31, 2005 And 2004.****Assets**

	<u>2005</u>	<u>2004</u>
Property, Plant And Equipment: (Note 1)		
Utility Plant in Service And Equipment	\$ 14,241,688	\$ 13,358,130
Accumulated Depreciation	(6,528,559)	(5,978,950)
	<u>7,713,129</u>	<u>7,379,180</u>
Land, Land Rights And Other Intangible Assets	153,003	153,003
Construction in Progress (Note 2)	<u>522,418</u>	<u>794,806</u>
Net Property, Plant And Equipment	8,388,550	8,326,989
Current Assets:		
Cash (Note 1)	437,139	302,035
Accounts Receivable (Note 4)	163,485	187,033
Allowance For Uncollectible Accounts (Note 4)	(5,417)	(5,417)
Inventory (Notes 1, 7)	159,789	225,069
Prepaid Expenses	21,830	22,071
Deposits	<u>320</u>	<u>3,302</u>
Total Current Assets	<u>777,146</u>	<u>734,093</u>
Total Assets	\$ <u>9,165,696</u>	\$ <u>9,061,082</u>

See accompanying notes to financial statements

Doney Park Water

Statements Of Assets, Liabilities, And Members' Equity - Regulatory Basis December 31, 2005 And 2004

Members' Equity And Liabilities

	<u>2005</u>	<u>2004</u>
Members' Equity:		
Development Fees (Note 1)	\$ 3,251,326	\$ 3,105,326
Contributions in Aid of Construction Less Accumulated Amortization (Note 1)	1,057,946	932,485
Members' Accumulated Earnings	<u>863,368</u>	<u>984,265</u>
 Total Members' Equity	 5,172,640	 5,022,076
Current Liabilities:		
Accounts Payable	24,406	43,344
Payroll Payable	24,565	22,283
Vacation and Sick Time Payable (Note 1)	46,056	38,814
Accrued Liabilities	65,444	36,264
Property Taxes Payable	36,306	41,844
Security Deposits	93,773	122,380
Advances on Work in Progress	56,013	33,695
Current Maturities of Advances in Aid of Construction	<u>37,000</u>	<u>43,500</u>
 Total Current Liabilities	 383,563	 382,124
Deferred Credits:		
Advances in Aid of Construction (Note 1)	3,646,493	3,700,382
Less Current Maturities of Advances in Aid of Construction	<u>(37,000)</u>	<u>(43,500)</u>
 Net Deferred Credits	 <u>3,609,493</u>	 <u>3,656,882</u>
 Total Liabilities and Deferred Credits	 <u>3,993,056</u>	 <u>4,039,006</u>
 Total Members' Equity And Liabilities	 \$ <u>9,165,696</u>	 \$ <u>9,061,082</u>

See accompanying notes to financial statements

Doney Park Water

Statements Of Operations And Changes In Members' Accumulated Earnings - Regulatory Basis Years Ended December 31, 2005 And 2004

	2005	2004
Operating Revenue:		
Operating Revenue	\$ 1,909,842	\$ 1,961,445
Total Operating Revenue	1,909,842	1,961,445
Operating Expenses:		
Bad Debt Expense (Note 4)	99	3,076
Salaries & Wages	466,293	472,326
Operating Expenses Transferred	(78,400)	(67,399)
Employee Benefits	98,835	117,616
Payroll Tax Expense	39,344	38,047
Casual Labor	757	4,295
Power for Pumping	302,729	299,123
Parts & Supplies	35,419	58,039
Small Tools & Equipment	9,871	7,005
Repairs & Maintenance	40,387	19,703
Professional Services	81,074	35,744
Transportation	30,484	26,378
Insurance	39,581	31,181
Communications	9,883	10,784
Utilities	8,498	8,280
Postage	19,080	16,045
Dues & Subscriptions	8,105	13,900
Continuing Education	5,205	16,859
Safety Expense	798	2,779
Miscellaneous	753	1,590
Depreciation Expense	612,184	567,533
Total Operating Expenses	1,730,979	1,682,904
Income From Operations	178,863	278,541
Administrative Expenses:		
Salaries & Wages	137,951	126,700
Employee Benefits	20,314	18,812
Payroll Tax Expense	10,853	10,068
Supplies	14,228	11,366
Repairs & Maintenance	6,925	6,112
Professional Services	3,703	3,068
Transportation	5,374	1,611
Insurance	3,696	1,463
Communications	5,672	8,758
Utilities	5,745	5,856
Postage	414	447
Travel	0	51
Dues & Subscriptions	8,959	5,084
Regulatory Commission Expense	4,048	3,974
Continuing Education	2,345	1,324
Property Taxes	79,291	83,814
Miscellaneous	5,228	2,282
Total Administrative Expenses	\$ 314,746	\$ 290,790

See accompanying notes to financial statements

Doney Park Water**Statements Of Operations And Changes In Members' Accumulated Earnings -
Regulatory Basis
Years Ended December 31, 2005 And 2004**

	<u>2005</u>	<u>2004</u>
Loss Before Other Income & Expenses	\$ (135,883)	\$ (12,249)
Other Income and Expenses:		
Discounts & Allowances	4,173	4,822
Other Income	0	7,437
Interest Income	6,063	1,663
Gain on Sale of Assets	10,000	0
Interest Expense	<u>(5,250)</u>	<u>(9,545)</u>
Net Other Income and Expenses	<u>14,986</u>	<u>4,377</u>
Net Loss	(120,897)	(7,872)
Members' Accumulated Earnings - Beginning of Year	<u>984,265</u>	<u>992,137</u>
Members' Accumulated Earnings - End of Year	<u>\$ 863,368</u>	<u>\$ 984,265</u>

See accompanying notes to financial statements

Doney Park Water

Statements Of Cash Flows Years Ended December 31, 2005 And 2004

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities:		
Net Loss	\$ (120,897)	\$ (7,872)
Adjustments to reconcile change in net loss to net cash provided by operating activities:		
Depreciation And Amortization	612,184	567,533
Gain on Sale of Assets	(10,000)	0
(Increase) Decrease in current assets:		
Accounts Receivable	23,548	(42,611)
Allowance for Uncollectible Accounts	0	(3,951)
Inventory	65,280	(6,964)
Prepaid Expenses	241	1,944
Deposits	2,982	(435)
Increase (Decrease) in current liabilities:		
Accounts Payable	(18,938)	23,979
Payroll Payable	2,282	5,053
Vacation and Sick Time Payable	7,242	(1,326)
Accrued Liabilities	29,180	16,374
Property Taxes Payable	(5,538)	(1,131)
Security Deposits	<u>(28,607)</u>	<u>(395)</u>
Total Adjustments	679,856	558,070
Net Cash Provided (Used) by Operating Activities	558,959	550,198
Cash Flows From Investing Activities:		
Net Cash from the Disposition of Assets	10,000	0
Net Increases to Property, Plant, And Equipment	<u>(673,745)</u>	<u>(2,025,797)</u>
Net Cash Used by Investing Activities	(663,745)	(2,025,797)
Cash Flows From Financing Activities:		
Net Increase in Advances on Work in Progress	22,318	(105,973)
Net decrease in Advances in Aid of Construction	(53,889)	756,548
Increase in Contributions in Aid of Construction	125,461	238,091
Increase in Development Fees	<u>146,000</u>	<u>245,860</u>
Net Cash Provided (Used) by Financing Activities	239,890	1,134,526
Net Increase (Decrease) in Cash	135,104	(341,073)
Cash at Beginning of Period	302,035	643,108
Cash at End of Period	\$ <u>437,139</u>	\$ <u>302,035</u>
Supplementary Disclosures of Cash Flow Information:		
Cash Payments for Interest	<u>\$ 5,250</u>	<u>\$ 25,292</u>
Cash Payments for Income Tax	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

Doney Park Water

Notes to the Financial Statements Years Ended December 31, 2005 and 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Doney Park Water (the Company) is an Arizona non-profit corporation providing water service to an area encompassing approximately 44 square miles northeast of Flagstaff. The Company is exempt from paying Federal Income tax under Section 501(c)(12) of the Internal Revenue Code. The Company is subject to the accounting and rate regulation of the Arizona Corporation Commission (ACC). Significant accounting policies are as follows:

Basis of Accounting

The accompanying financial statements have been prepared on the basis of accounting prescribed by the National Association of Regulatory Utility Commissioners (NARUC).

System of Accounts

The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the NARUC.

Revenue Recognition

Operating revenues are recognized when billed on a monthly cycle billing basis.

Fee Income

The Company earns three different types of non-refundable fees; membership fees, establishment fees, and development fees. Development fees are recognized when collected and are included in members' equity. Establishment fees and membership fees are earned and recognized when collected and are included in operating revenue.

Inventory

The Company's inventories consist of parts and supplies and are valued at the lower of cost or market. Cost flow is determined primarily by the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment are stated at original cost as defined for regulatory purposes. The ACC established the property cost as of September 30, 1994, for property in existence at that date. The cost of additions to Property, Plant and Equipment subsequent to September 30, 1994, has been capitalized. Replacements of minor items of property are charged to maintenance expense as incurred. The cost of property retired, plus removal costs, less salvage, is charged to the accumulated provision for depreciation. As a result, no profit or loss is recognized in connection with ordinary retirements of depreciable property.

Depreciation of utility plant is provided on a straight-line basis at rates authorized by the ACC. The rate authorized by the ACC for 2005 and 2004 was 5% respectively per year.

Sec Auditor's Report.

Doney Park Water

Notes to the Financial Statements Years Ended December 31, 2005 and 2004

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation and Sick Time Payable

Vacation and sick time payable consists of amounts accrued at the end of each fiscal year for compensated absences earned and owed employees in accordance with Company policies.

Advances in Aid of Construction

Advances in aid of construction costs are subject to refund in accordance with agreements approved by the ACC. Generally, the agreements provide for refunds of the advances based on a certain percent of annual gross receipts from water sales to the property. Refunds continue until the earlier of when the entire advance has been repaid or for a period of ten years. The balance, if any, remaining at the end of the repayment period is transferred to the contributions in aid of construction account.

Contributions in Aid of Construction

Contributions in aid of construction are non-refundable contributions by developers and customers and include the remaining balance, if any, of advances in aid of construction at the end of the repayment period.

Meter Installation Deposits

The Company is no longer collecting deposits for meters. In November 2002, members were refunded their meter deposit balances in full.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company had no assets other than cash deemed to be cash equivalents. The Company's policy treats financial instruments with original maturities of less than three months as cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with the accounting practices prescribed by the National Association of Regulatory Utility Commissioners requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain reclassifications in the financial statements have been made to the 2004 balances to conform to the 2005 presentation.

NOTE 2 – CONSTRUCTION IN PROGRESS

At December 31, 2005 and 2004, construction in progress consisted of upgrades and several line extensions that were in process but not yet completed by the end of the year.

See Auditor's Report.

Doney Park Water

Notes to the Financial Statements Years Ended December 31, 2005 and 2004

NOTE 3 – EMPLOYEES' RETIREMENT PLAN

In 1998, the Company established a retirement plan that provides that, after six months of service, full-time, permanent employees are eligible for matching contributions to their 401(k) plan. Upon becoming eligible for the plan, the Company will match an employee's contribution up to 5% of gross wages per year. The employee may elect to make additional contributions to the fund, but any amounts in excess of 5% per year will not be match by the Company. The Company's contributions to the 401(k) plan were \$19,436 and \$23,130 in 2005 and 2004, respectively.

NOTE 4 – ACCOUNTS RECEIVABLE & ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Accounts receivable consists of the following at the end of each year. An allowance for uncollectible accounts is maintained to estimated bad debts at the end of the year.

	2005	2004
Trade accounts receivable	\$ 163,485	\$ 187,033
Allowance for uncollectible accounts	(5,417)	(5,417)
Accounts receivable, net of allowance for uncollectible accounts	\$ 158,068	\$ 181,616

NOTE 5 – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Company maintains cash balances with Wells Fargo Investments and Wells Fargo Bank. Accounts at Wells Fargo Investments are insured by the Securities Protection Insurance corporation up to \$500,000 and accounts at Wells Fargo are insured by the Federal Deposit Insurance Corporation up to \$200,000. The Company maintains cash balances, which are at times in excess of FDIC and SPIC Insurance limits.

NOTE 6 – SETTLEMENT OF LITIGATION

On December 31, 1996, the Company filed suit against various defendants relating to the misuse of Doney Park Water labor and equipment and improper installation of a gas line in the same trench and over the Company's water line. On May 1, 1999, a judgment was obtained against the defendants in the amount of \$37,660, which was included in the accounts receivable balances as of December 31, 2002. However, it was the opinion of management and legal counsel that the likelihood of collection was less than 5%; therefore, an allowance for uncollectibility had been provided for the year ended December 31, 2002.

On March 3, 2004, the Company received \$18,223, which represents monies distributed by the defendant's bankruptcy estate. Per legal counsel, it is anticipated that this will be the only payment from the defendant. Accordingly, the related accounts receivable and allowance for uncollectible accounts balances were decreased by \$18,223 to reflect this final payment amount as of December 31, 2003.

See Auditor's Report.

Doney Park Water

Notes to the Financial Statements Years Ended December 31, 2005 and 2004

NOTE 7 – INVENTORY

The following is a summary of the Company's inventory at December 31, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Inventory – plant materials	\$ 80,760	\$ 90,268
Inventory – meters	2,680	15,988
Inventory – other	10,784	13,237
Inventory – backflow preventor	10,658	10,842
Inventory – critical parts	<u>54,907</u>	<u>94,734</u>
Total inventory	<u>\$ 225,069</u>	<u>\$ 225,069</u>

NOTE 8 – PRIOR PERIOD ADJUSTMENTS

During 2004, several prior period adjustments were recorded to correct beginning balances. An adjustment of \$40,140 was made to record the beginning balance of Vacation and Sick Time Payable. An adjustment of \$9,805 was made to correct the beginning balance for the Allowance for Uncollectible Accounts. In addition an adjustment of \$15,747 was made to record interest expense on security deposits that pertained to prior periods.

See Auditor's Report.

EXHIBIT I

PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER
AUTHORIZING THE ISSUANCE OF DEBT
BY DONEY PARK WATER

Doney Park Water (Applicant) filed an Application with the Arizona Corporation Commission (Commission) for an order authorizing Applicant to issue One Million Five Hundred Thirty Thousand Dollars (\$1,530,000.00) in debt to make improvements to its water distribution system, including the drilling of two (2) new wells. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices at 5290 East Northgate Loop, Flagstaff, Arizona 86004-6204.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene and thirteen copies with the Commission's Docket Control at 1200 West Washington, Phoenix, Arizona and serve a copy upon the Applicant c/o William Sullivan, Curtis, Goodwin, Sullivan, Udall & Schwab, P.L.C., 2712 North 7th Street, Phoenix, Arizona 85006. The Motion to Intervene, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after the date this notice is published.