

NEW APPLICATION



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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

2007 OCT 12 P 4: 02

Arizona Corporation Commission

DOCKETED

AZ CORP COMMISSION
DOCKET CONTROL

OCT 12 2007

DOCKETED BY
KH MN

IN THE MATTER OF THE APPLICATION OF GLOBAL WATER - SANTA CRUZ WATER COMPANY FOR A WAIVER UNDER A.A.C. R14-2-806 RELATING TO THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC. OR IN THE ALTERNATIVE NOTICE OF INTENT BY GLOBAL WATER - SANTA CRUZ COMPANY UNDER A.A.C. R14-2-803 FOR THE ACQUISITION OF BALTERRA SEWER CORP. BY GLOBAL WATER, INC.

Docket No. W-20446A-07-_____

W-20446A-07-0596

**APPLICATION
AND ALTERNATIVE
NOTICE OF INTENT**

Global Water - Santa Cruz Water Company ("Santa Cruz") requests a waiver under A.A.C. R14-2-806 for the acquisition of Balterra Sewer Corp. ("Balterra") by Global Water, Inc. ("Global Inc."). If the waiver is not granted, in the alternative, Santa Cruz submits this Notice of Intent under A.A.C. R14-2-803 for the acquisition of Balterra Sewer Corp. by Global Inc.

I. Overview of Transaction.

1. Under the proposed transaction, Global Inc. will acquire all of the issued and outstanding shares of Balterra. Thus, Santa Cruz and Balterra will become sister companies and will share the same parent, Global Inc.

2. Global Inc. and Balterra's Shareholder entered into a Stock Purchase Agreement on October 3, 2007. Under the Stock Purchase Agreement, the sale of shares to Global Inc. will not close until the Commission grants a waiver or approves the transaction.

3. Global Inc. is also the ultimate parent company of Water Utility of Greater Tonopah ("Tonopah"). Tonopah holds a CC&N for some of the area that will be served by Balterra, and Tonopah has a pending application to extend its CC&N to the remainder of the area that will be

1 served by Balterra. Thus, if the Commission allows the transaction to proceed, Tonopah and
2 Balterra will be able to offer integrated water, wastewater, and recycled water services to this area.

3 **II. Description of Global Inc.**

4 4. Global Inc. is a Delaware corporation. A copy of Global Inc.'s Certificate of Good
5 Standing is attached as Exhibit 1.

6 5. Global Inc. is a "Public Utility Holding Company" as defined in A.A.C. R14-2-
7 801.4. Global Inc. owns the stock of a number of Arizona public service corporations, including
8 Santa Cruz. Global Inc.'s regulated subsidiaries serve more than 30,000 customers in Arizona.

9 6. Global Inc.'s stock is owned by Global Water Resources, LLC ("Global Parent").

10 7. A chart showing the current organization of Global Parent, Global Inc. and Global
11 Inc.'s subsidiaries is attached as Exhibit 2. A chart showing the organization after the acquisition
12 is attached as Exhibit 3.

13 8. Global Inc. has successfully acquired a number of Arizona utilities in recent years.
14 For example, in 2006 Global Inc. acquired the stock of West Maricopa Combine ("WMC").
15 WMC owns the stock of five Arizona public service corporations. Many of the WMC companies
16 were small and their systems were in poor shape. Following the WMC transaction, Global Inc. has
17 made substantial improvements to the WMC systems, a process which is still on-going.

18 9. In December 2006, Global Inc. acquired the stock of Francisco Grande Utility
19 Company and CP Water Company. Those utilities are located in the vicinity of the current and
20 planned future service areas of Santa Cruz and Palo Verde Utilities Company. An application is
21 currently pending to transfer the CC&Ns of Francisco Grande and CP to Santa Cruz and Palo
22 Verde.

23 10. The WMC, Francisco Grande and CP acquisitions occurred before Santa Cruz
24 became a Class A utility. Now that Santa Cruz is a Class A utility, the Commission has greater
25 oversight of such transactions under the Commission's Public Utility Holding Companies and
26 Affiliated Interests Rules, A.A.C. R14-2-801 et seq.

27

1 **III. Description of Santa Cruz.**

2 11. Santa Cruz is an Arizona corporation. Santa Cruz's Certificate of Good Standing is
3 attached as Exhibit 4.

4 12. Santa Cruz is a public service corporation regulated by this Commission. Santa
5 Cruz is also considered a "Class A" utility as defined in A.A.C. R14-2-103. Santa Cruz is not
6 directly involved in this transaction. However, as a "Class A" Utility, Santa Cruz is subject to the
7 Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R14-2-
8 801 et seq. Thus, Santa Cruz is submitting this application for waiver and alternative notice of
9 intent.

10 13. Santa Cruz, or its predecessors, received Certificates of Convenience and Necessity
11 ("CC&N") from the Commission in Decision No. 61943 (September 17, 1999); Decision No.
12 66394 (October 6, 2003); Decision No. 67240 (September 23, 2004); Decision No. 67830 (May 5,
13 2005); and Decision No. 68448 (February 2, 2006) and also received an Order Preliminary for the
14 "387 District" areas in Decision No. 68498 (February 23, 2006).¹ In Decision No. 69920
15 (September 27, 2007), the Commission approved the transfer of these CC&Ns to Santa Cruz.

16 14. Santa Cruz's CC&N areas are located in and near the City of Maricopa in Pinal
17 County, Arizona. A map of Santa Cruz's CC&N area is attached as Exhibit 5.

18 15. Santa Cruz presently serves 14,700 customers.

19 16. Copies of Santa Cruz's 2006 income statement and balance sheet are attached as
20 Exhibit 6.

21 17. The management contact for Santa Cruz is

22 Mr. Graham Symmonds
23 Senior Vice President
24 Global Water Management
25 22601 North 19th Avenue, Suite 210
26 Phoenix, Arizona 85027.
27 (623) 580-9600.

¹ For information regarding the current status of the Order Preliminary, see Docket No. SW-0357A-07-0305.

1 And Santa Cruz's attorneys are:

2 Michael W. Patten
3 Timothy J. Sabo
4 Roshka DeWulf & Patten, PLC
5 One Arizona Center
6 400 East Van Buren Street, Suite 800
7 Phoenix, Arizona 85004
8
9 (602) 256-6100

7 All data requests or other requests for information should be directed to:

8 Michael W. Patten
9 Timothy J. Sabo
10 Roshka DeWulf & Patten, PLC
11 One Arizona Center
12 400 East Van Buren Street, Suite 800
13 Phoenix, Arizona 85004

12 With a copy to:

13 Mr. Graham Symmonds
14 Senior Vice President
15 Global Water Management
16 22601 North 19th Avenue, Suite 210
17 Phoenix, Arizona 85027

17 **IV. Description of Balterra.**

18 18. Balterra is an Arizona corporation. Balterra's Certificate of Good Standing is
19 attached as Exhibit 7.

20 19. Balterra is a public service corporation regulated by this Commission. Balterra
21 received its CC&N from the Commission in Decision No. 68742 (June 5, 2006). Balterra's
22 CC&N is for wastewater and recycled water service.

23 20. Balterra's CC&N area is located in western Maricopa County. A map of Balterra's
24 CC&N area is attached as Exhibit 8.² This map also shows Tonopah's CC&N area and pending
25 extensions.

26
27 ² The Balterra CC&N area is the area shown in black stripes.

1 21. Balterra currently serves no customers.

2 22. Copies of Balterra's 2006 income statement and balance sheet are attached as
3 Exhibit 9.

4 23. The transaction will not change Balterra's existing rates.

5 **V. Public Interest Analysis.**

6 24. Groundwater supplies in western Maricopa County have limits. As this area
7 develops, it will be increasingly important to not rely exclusively on groundwater. Other sources
8 of water, such as recycled water, will be critical for serving this area.

9 25. Where possible, Global Parent pursues an "integrated" service approach, under
10 which water, wastewater and recycled water services are provided by utilities under common
11 ownership and management. The Commission has noted the benefits of integrated utilities in past
12 cases. If the Commission allows this transaction to proceed, Tonopah and Balterra will become
13 integrated utilities.

14 26. Where possible, Global Parent also pursues its "triad of conservation" strategy.
15 This strategy rejects the traditional "groundwater only" strategy of many utilities, and instead
16 pursues (1) use of recycled water for non-potable uses; (2) recharging the aquifer with recycled
17 water or other water supplies for later use; (3) use of surface water where available and feasible.
18 Using this strategy, Santa Cruz has been able to substantially reduce residential use of
19 groundwater, as compared to traditional utilities. If the Commission allows this transaction to
20 proceed, Tonopah and Balterra will be able to pursue the triad of conservation strategy.

21 27. Balterra was created by a developer. In contrast, Global Inc. focuses on owning
22 regulated utilities.

23 28. Arizona has hundreds of water companies. Consolidation of these companies into
24 holding companies or combined utilities is in the public interest for many reasons. For example,
25 consolidation allows utilities to achieve economies of scale and economies of scope.
26 Consolidation can also enhance financial stability because the utility does not have to rely
27 exclusively on its own resources. In addition, many small utilities lack managerial and technical

1 expertise. Larger, consolidated utilities typically have much greater managerial and technical
2 skills. Allowing this transaction to proceed will be another step forward in consolidation.

3 **VI. Relief requested.**

4 29. Under A.A.C. R14-2-806.C (“Rule 806.C”), if the Commission “fails to approve,
5 disapprove, or suspend for further consideration” a waiver application within 30 days, the waiver
6 takes effect on the 31st day. Because this transaction is clearly in the public interest, Santa Cruz
7 requests that the Commission take no action and allow the waiver to take effect by operation of
8 this rule. The waiver requested in this application is solely limited to Global Inc.’s acquisition of
9 the stock of Balterra Sewer Corp.

10 30. If the Commission does not allow the waiver to take effect on the 31st day under
11 Rule 806.C, then Santa Cruz requests that the Commission issue an order granting the waiver.

12 31. If the Commission does not allow the waiver to take effect on the 31st day under
13 Rule 806.C, and if the Commission also does not affirmatively grant the waiver, then in the
14 alternative, Santa Cruz requests that the Commission approve the transaction under A.A.C. R14-2-
15 803 (Rule 803). Pursuant to this alternative request under Rule 803, Santa Cruz provides below
16 the required “Notice of Intent” information specified by Rule 803.

17 **VII. Notice of Intent Information.**

18 32. *The names and business addresses of the proposed officers and directors of the*
19 *holding company.* Global Inc.’s officers are President, Trevor Hill, and secretary, Cindy Liles.
20 Global Inc.’s directors are Trevor Hill and Cindy Liles. Their business address is 21410 North 19th
21 Avenue, Suite 201, Phoenix, Arizona 85027.

22 33. *The business purposes for establishing or reorganizing the holding company.* See
23 Paragraphs 4-10 and 23-27 above.

24 34. *The proposed method of financing the holding company and the resultant capital*
25 *structure.* No changes in the holding company’s financing or capital structure are anticipated as a
26 result of this transaction.

27

1 35. *The resultant effect on the capital structure of the utility.* The capital structures of
2 Santa Cruz, Tonopah and Balterra will not be changed as a result of this transaction.

3 36. *An organizational chart of the holding company that identifies all affiliates and*
4 *their relationships within the holding company.* See Exhibits 2 and 3.

5 37. *The proposed method of allocating federal and state income taxes to the*
6 *subsidiaries of the holding company.* Global Inc. will continue to use its current allocation
7 method. For ratemaking purposes, federal and state income taxes will continue to be calculated on
8 a stand-alone basis for each regulated utility.

9 38. *The anticipated changes in the utility's cost of service and the cost of capital*
10 *attributable to the reorganization.* Economies of scale and scope may be achieved. No other
11 changes are anticipated.

12 39. *A description of diversification plans of affiliates of the holding company.* Global
13 Inc.'s business model is to own regulated public service corporations, and that will not change as a
14 result of this transaction.

15 40. *Copies of all relevant documents and filings with the United States Securities and*
16 *Exchange Commission and other federal or state agencies.* None.

17 41. *The contemplated annual and cumulative investment in each affiliate for the next*
18 *five years, in dollars and as a percentage of projected net utility plant, and an explanation of the*
19 *reasons supporting the level of investment and the reasons that this level will not increase the risks*
20 *of investment in the public utility.* Global Inc. does not plan investments in non-utility affiliates as
21 contemplated by this question.

22 42. *An explanation of the manner in which the utility can assure that adequate capital*
23 *will be available for the construction of new utility plant and for improvements in existing utility*
24 *plant at no greater cost than if the utility or its affiliate did not organize or reorganize a public*
25 *utility holding company.* As noted above, this application does not involve forming a new public
26 utility holding company, but rather involves an existing holding company acquiring the stock of an
27 additional regulated utility. Global Inc. has an excellent record of providing adequate capital to all

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

1 of the utilities it owns. For example, Global Inc. provided more \$49.9 million in capital to fund
2 the capital expenditures for its regulated utilities in 2006.

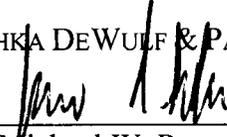
3 **VIII. Conclusion.**

4 Global Inc. already owns a number of Arizona utilities, and this transaction will add
5 Balterra to that list. The transaction will allow Balterra to become an integrated utility and to
6 deploy the "triad of conservation" strategy. Moreover, this transaction will be another step
7 forward in the much-needed consolidation of water and wastewater utilities in Arizona.
8 Accordingly, Santa Cruz requests a waiver under A.A.C. R14-2-806 solely for the purpose of
9 allowing Global Inc. to purchase the stock of Balterra Sewer Corp.

10 WHEREFORE, Santa Cruz respectfully:

- 11 1. Requests that the Commission take no action within 30 days of this Application and
12 thereby allow the waiver described herein to take effect on the 31st day under Rule
13 806.C.
- 14 2. If the Commission does take some action within 30 days of this Application, Santa
15 Cruz requests that Commission issue an order granting the waiver described herein.
- 16 3. If the Commission does not allow the waiver to take effect on the 31st day under
17 Rule 806.C, and if the Commission does not issue an order approving the waiver,
18 Santa Cruz requests that the Commission issue an order approving the transaction
19 under Rule 803.

20
21 RESPECTFULLY SUBMITTED this 12th day of October 2007.

22 ROSHKA DEWULF & PATTEN, PLC
23 By  for
24 Michael W. Patten
25 Timothy J. Sabo
26 One Arizona Center
27 400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

ROSHKA DEWULF & PATTEN, PLC
ONE ARIZONA CENTER
400 EAST VAN BUREN STREET - SUITE 800
PHOENIX, ARIZONA 85004
TELEPHONE NO 602-256-6100
FACSIMILE 602-256-6800

- 1 Original + 15 copies of the foregoing
- 2 filed this 12th day of October 2007, with:
- 3 Docket Control
- 4 ARIZONA CORPORATION COMMISSION
- 5 1200 West Washington
- 6 Phoenix, Arizona 85007
- 7
- 8 Copies of the foregoing hand-delivered/mailed
- 9 this 12th day of October 2007, to:
- 10 Lyn A. Farmer, Esq.
- 11 Chief Administrative Law Judge
- 12 Hearing Division
- 13 Arizona Corporation Commission
- 14 1200 West Washington
- 15 Phoenix, Arizona 85007
- 16
- 17 Christopher C. Kempley, Esq.
- 18 Chief Counsel, Legal Division
- 19 Arizona Corporation Commission
- 20 1200 West Washington
- 21 Phoenix, Arizona 85007
- 22
- 23 Ernest G. Johnson, Esq.
- 24 Director, Utilities Division
- 25 Arizona Corporation Commission
- 26 1200 West Washington
- 27 Phoenix, Arizona 85007

Debbie Amual

INDEX TO EXHIBITS

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Exhibit	Description
1	Certificate of Good Standing: Global Water, Inc.
2	Organizational Chart – before acquisition
3	Organizational Chart – after acquisition
4	Certificate of Good Standing: Global Water – Santa Cruz Water Company
5	Santa Cruz CC&N Map
6	Santa Cruz 2006 income statement and balance sheet
7	Certificate of Good Standing: Balterra Sewer Corp.
8	Balterra CC&N Map
9	Balterra 2006 income statement and balance sheet

EXHIBIT

"1"

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, **Brian C. McNeil**, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****GLOBAL WATER, INC.*****

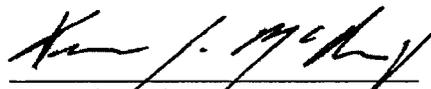
a foreign corporation organized under the laws of Delaware did obtain authority to transact business in the State of Arizona on the 12th day of May 2006.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation has not had its authority revoked for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed an Application for Withdrawal as of the date of this certificate.

This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 12th Day of October, 2007, A. D.




Executive Director

Order Number: 181064

EXHIBIT

"2"



Corporate Structure Before Balterra Sewer Corp. Acquisition

- Bill Levine (42.44%)
- Dan Cracchiolo (6.13%)
- Andrew Cohn (12.5%)
- Trevor Hill (23.29%)
- Leo Commandeur (11.65%)
- Graham Symmonds (2.5%)
- Cindy Liles (1.5%)

Global Water Management LLC,
Delaware LLC (100%)

GWM, LLC provides management services to Opscs under following headings all at industry standard charge-out rates:

- Management
- Operations
- Billing Services
- Customer Service
- Engineering Services

Global Water Resources LLC,
(Delaware LLC) Parent (100%)

Santa Cruz Water Company, LLC
(Arizona LLC)

Global Water, Inc.
(Delaware "C" Corp)
(holdco) (100%)

Palo Verde Utilities Company, LLC
(Arizona LLC)

Global Water - Santa Cruz Water Company
(Arizona "C" Corp)

Global Water - Palo Verde Utilities Company
(Arizona "C" Corp)

Cave Creek Water Company, Inc.
(Arizona "C" Corp)

Pacer Equities, Inc.
(Arizona "C" Corp)

Hassayampa Utility Company, Inc.
(Arizona "C" Corp)

Global Water - Picacho Cove Water Company
(Arizona "C" Corp)

Global Water - Picacho Cove Utilities Company
(Arizona "C" Corp)

CP Water Company
(Arizona "C" Corp)

Francisco Grande Utilities Company
(Arizona "C" Corp)

West Maricopa Combine, Inc
(Arizona "C" Corp)

Willow Valley Water Company, Inc.
(Arizona "C" Corp)

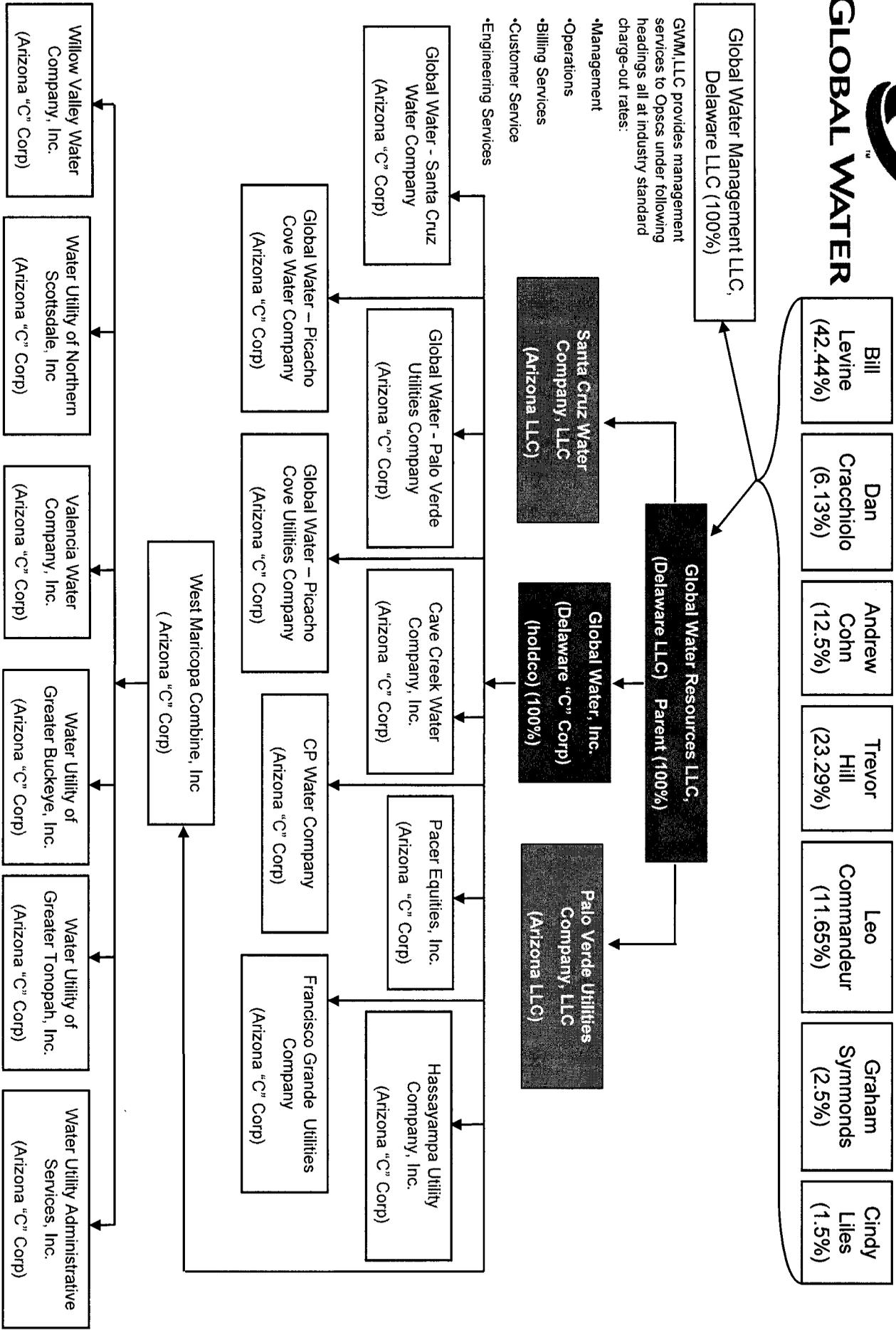
Water Utility of Northern Scottsdale, Inc
(Arizona "C" Corp)

Valencia Water Company, Inc.
(Arizona "C" Corp)

Water Utility of Greater Buckeye, Inc.
(Arizona "C" Corp)

Water Utility of Greater Tonopah, Inc.
(Arizona "C" Corp)

Water Utility Administrative Services, Inc.
(Arizona "C" Corp)



EXHIBIT

"3"



GLOBAL WATER

Corporate Structure Including Balterra Sewer Corp. Acquisition

Bill Levine (42.44%)	Dan Cracchiolo (6.13%)	Andrew Cohn (12.5%)	Trevor Hill (23.29%)	Leo Commandeur (11.65%)	Graham Symmonds (2.5%)	Cindy Liles (1.5%)
-------------------------	---------------------------	------------------------	-------------------------	----------------------------	---------------------------	-----------------------

Global Water Management LLC,
Delaware LLC (100%)

GWM, LLC provides management services to Opscs under following headings all at industry standard charge-out rates:

- Management
- Operations
- Billing Services
- Customer Service
- Engineering Services

Global Water Resources LLC,
(Delaware LLC) Parent (100%)

Santa Cruz Water Company, LLC
(Arizona LLC)

Global Water, Inc.
(Delaware "C" Corp)
(holdco) (100%)

Palo Verde Utilities Company, LLC
(Arizona LLC)

Global Water - Santa Cruz Water Company
(Arizona "C" Corp)

Global Water - Palo Verde Utilities Company
(Arizona "C" Corp)

Cave Creek Water Company, Inc.
(Arizona "C" Corp)

Pacer Equities, Inc.
(Arizona "C" Corp)

Hassayampa Utility Company, Inc.
(Arizona "C" Corp)

Global Water - Picacho Cove Water Company
(Arizona "C" Corp)

Global Water - Picacho Cove Utilities Company
(Arizona "C" Corp)

CP Water Company
(Arizona "C" Corp)

Francisco Grande Utilities Company
(Arizona "C" Corp)

Baltterra Sewer Corp.
(Arizona "C" Corp)

West Maricopa Combine, Inc
(Arizona "C" Corp)

Willow Valley Water Company, Inc.
(Arizona "C" Corp)

Water Utility of Northern Scottsdale, Inc
(Arizona "C" Corp)

Valencia Water Company, Inc.
(Arizona "C" Corp)

Water Utility of Greater Buckeye, Inc.
(Arizona "C" Corp)

Water Utility of Greater Tonopah, Inc.
(Arizona "C" Corp)

Water Utility Administrative Services, Inc.
(Arizona "C" Corp)

EXHIBIT

"4"

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****GLOBAL WATER - SANTA CRUZ WATER COMPANY*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on December 7, 2005.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 12th Day of October, 2007, A. D.




Executive Director

Order Number: 181067

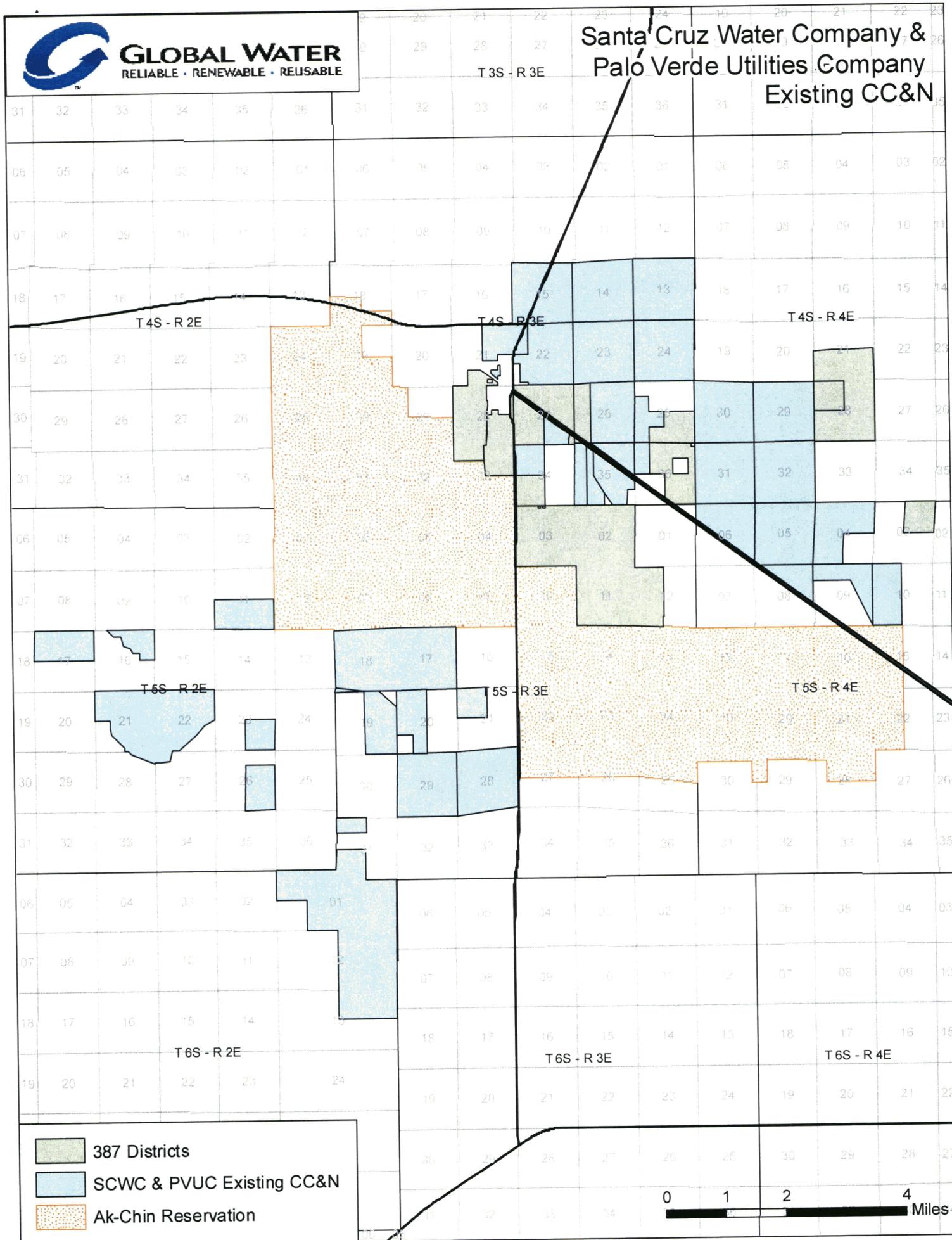
EXHIBIT

"5"

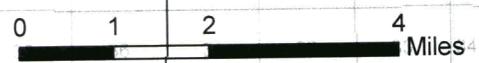


GLOBAL WATER
RELIABLE • RENEWABLE • REUSABLE

Santa Cruz Water Company &
Paló Verde Utilities Company
Existing CC&N



-  387 Districts
-  SCWC & PVUC Existing CC&N
-  Ak-Chin Reservation



EXHIBIT

"6"

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-03576A
Santa Cruz Water Company
21410 N. 19th Ave., Ste. 201
Phoenix, AZ 85027

ANNUAL REPORT

FOR YEAR ENDING

12	31	2006
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FOR COMMISSION USE

ANN 04	06
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PROCESSED BY:

SCANNED

COMPANY INFORMATION

Company Name (Business Name) <u>Santa Cruz Water Company</u>			
Mailing Address <u>21410 N. 19th Ave</u>			
(Street)			
<u>Phoenix</u>	<u>Az</u>	<u>85027</u>	
(City)	(State)	(Zip)	
<u>623-580-9600</u>	<u>623-580-9659</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>graham.symmonds@gwresources.com</u>			
Local Office Mailing Address <u>SAME</u>			
(Street)			
(City)		(State)	(Zip)
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address _____			

MANAGEMENT INFORMATION

Management Contact: <u>Graham Symmonds</u>		<u>SVP Operations & Compliance</u>	
(Name)		(Title)	
<u>21410 N. 19th Ave, Phoenix AZ 85027</u>			
(Street)		(City)	(State) (Zip)
<u>623-580-9600</u>	<u>623-580-9659</u>		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address <u>graham.symmonds@gwresources.com</u>			
On Site Manager: <u>SAME</u>			
(Name)			
(Street)		(City)	(State) (Zip)
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address _____			

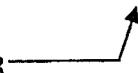
Please mark this box if the above address(es) have changed or are updated since the last filing.

COMPANY NAME: SANTA CRUZ WATER COMPANY

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	-	-	-
302	Franchises	-	-	-
303	Land and Land Rights	46,711	-	46,711
304	Structures and Improvements	414,774	(60,256)	354,518
305	Collection/Impounding Reservoirs	-	-	-
307	Wells and Springs	1,952,158	(100,318)	1,851,840
309	Supply Mains	1,991,453	(75,340)	1,916,113
310	Power Generation Equipment	948	(24)	924
311	Pumping Equipment	3,086,372	(383,226)	2,703,146
320	Water Treatment Equipment	9,593	(1,929)	7,664
330	Distribution Reservoirs and Standpipes	1,367,063	(111,883)	1,255,180
331	Transmission and Distribution Mains	16,788,850	(738,297)	16,050,553
333	Services	1,565,507	(92,760)	1,472,747
334	Meters and Meter Installations	2,605,488	(260,076)	2,345,412
335	Hydrants	1,727,228	(76,242)	1,650,986
336	Backflow Prevention Devices	24,547	(3,872)	20,675
339	Other Plant and Misc. Equipment	103,440	(9,177)	94,263
340	Office Furniture and Equipment	199,657	(74,665)	124,992
341	Transportation Equipment	302,361	(61,777)	240,584
342	Stores Equipment	-	-	-
343	Tools, Shop and Garage Equipment	30,774	(2,381)	28,393
344	Laboratory Equipment	5,964	(1,002)	4,962
345	Power Operated Equipment	-	-	-
346	Communication Equipment	46,576	(12,655)	33,921
347	Miscellaneous Equipment	1,146	(65)	1,081
348	Other Tangible Plant	1,194,752	(94,914)	1,099,838
	TOTALS	33,465,362	(2,160,859)	31,304,503

This amount goes on the Balance Sheet Acct. No. 108



COMPANY NAME: SANTA CRUZ WATER COMPANY

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	-	-	-
302	Franchises	-	-	-
303	Land and Land Rights	46,711	-	-
304	Structures and Improvements	414,774	3.33%	14,071
305	Collection/Impounding Reservoirs	-	-	-
307	Wells and Springs	1,952,158	3.33%	45,197
309	Supply Mains	1,991,453	2.00%	32,297
310	Power Generation Equipment	948	5.00%	24
311	Pumping Equipment	3,086,372	12.50%	288,223
320	Water Treatment Equipment	9,593	3.33% or 20.00%	301
330	Distribution Reservoirs and Standpipes	1,367,063	2.22% or 5.00%	33,675
331	Transmission and Distribution Mains	16,788,850	2.00%	264,049
333	Services	1,565,507	3.33%	38,789
334	Meters and Meter Installations	2,605,488	8.33%	196,613
335	Hydrants	1,727,228	2.00%	27,240
336	Backflow Prevention Devices	24,547	6.67%	1,689
339	Other Plant and Misc. Equipment	103,440	10.00%	4,828
340	Office Furniture and Equipment	199,657	6.67%	44,031
341	Transportation Equipment	302,361	20.00%	44,144
342	Stores Equipment	-	-	-
343	Tools, Shop and Garage Equipment	30,774	5.00%	1,297
344	Laboratory Equipment	5,964	10.00%	502
345	Power Operated Equipment	-	-	-
346	Communication Equipment	46,576	10.00%	8,241
347	Miscellaneous Equipment	1,146	10.00%	57
348	Other Tangible Plant	1,194,752	10.00%	77,332
	Plus Depreciation on Non-Utility Assets			67,050
	Less: CIAC amortization			-
	TOTALS	33,465,362	-	1,189,650

This amount goes on the Comparative Statement of Income and Expense Acct. No. 403.

COMPANY NAME: SANTA CRUZ WATER COMPANY

BALANCE SHEET

Acct .No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 750	\$740
134	Working Funds	0	0
135	Temporary Cash Investments	0	0
141	Customer Accounts Receivable	655,662	693,653
146	Notes/Receivables from Associated Companies	0	0
151	Plant Material and Supplies	0	0
162	Prepayments	27,570	27,211
173	Accrued Utility Revenue	0	156,985
174	Miscellaneous Current and Accrued Assets	61,264	0
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 745,246	\$878,589
	FIXED ASSETS		
101	Utility Plant in Service	\$ 18,678,398	\$ 33,465,362
103	Property Held for Future Use	0	0
105	Construction Work in Progress	7,465,918	23,369,592
108	Accumulated Depreciation – Utility Plant	(1,072,511)	(2,160,859)
121	Non-Utility Property	316,541	367,091
122	Accumulated Depreciation – Non Utility	0	(97,268)
	TOTAL FIXED ASSETS	\$ 25,390,602	\$ 54,943,918
	TOTAL ASSETS	\$ 26,135,851	\$55,822,507

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME: SANTA CRUZ WATER COMPANY

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
LIABILITIES			
CURRENT LIABILITES			
231	Accounts Payable	\$ 1,108,614	\$2,029,055
232	Notes Payable (Current Portion)	0	0
234	Notes/Accounts Payable to Associated Companies	0	0
235	Customer Deposits	983,712	711,020
236	Accrued Taxes	35,041	113,256
237	Accrued Interest	7,083	16,495
241	Miscellaneous Current and Accrued Liabilities	386,725	1,966,572
	TOTAL CURRENT LIABILITIES	\$ 2,521,175	\$4,836,398
LONG-TERM DEBT (Over 12 Months)			
224	Long-Term Notes and Bonds	\$0	\$0
DEFERRED CREDITS			
251	Unamortized Premium on Debt	\$0	\$0
252	Advances in Aid of Construction	7,889,438	14,043,997
255	Accumulated Deferred Investment Tax Credits	0	0
271	Contributions in Aid of Construction	0	0
272	Less: Amortization of Contributions	0	0
281	Accumulated Deferred Income Tax	0	0
	TOTAL DEFERRED CREDITS	\$ 7,889,438	\$14,043,997
	TOTAL LIABILITIES	\$ 10,410,613	\$18,880,395
CAPITAL ACCOUNTS			
201	Common Stock Issued	\$ 10,605,321	\$27,017,896
211	Paid in Capital in Excess of Par Value	0	0
215	Retained Earnings	5,127,362	9,924,216
218	Proprietary Capital (Sole Props and Partnerships)	0	0
	TOTAL CAPITAL	\$ 15,732,683	\$36,942,112
	TOTAL LIABILITIES AND CAPITAL	\$ 26,135,851	\$55,822,507

COMPANY NAME: SANTA CRUZ WATER COMPANY

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 3,797,565	\$6,649,383
460	Unmetered Water Revenue		
474	Other Water Revenues	1,309,504	1,252,845
	TOTAL REVENUES	\$ 5,107,069	\$7,902,228
	OPERATING EXPENSES		
601	Salaries and Wages	\$0	\$0
610	Purchased Water	49,020	31,200
615	Purchased Power	206,786	360,697
616	Fuel for Power Production	0	3,110
618	Chemicals	14,882	43,291
620	Repairs and Maintenance	31,321	37,324
621	Office Supplies and Expense	3,975	0
630	Outside Services	677,793	1,193,484
635	Water Testing	11,503	27,685
641	Rents	29,992	3,355
650	Transportation Expenses	1,574	0
657	Insurance – General Liability	62,926	0
659	Insurance - Health and Life	0	0
666	Regulatory Commission Expense	6,850	0
675	Miscellaneous Expense	82,545	47,685
403	Depreciation Expense	549,585	1,189,650
408	Taxes Other Than Income	15,636	19,746
408.11	Property Taxes	59,392	106,204
409	Income Tax	0	0
	TOTAL OPERATING EXPENSES	\$ 1,803,780	\$ 3,063,431
	OPERATING INCOME/(LOSS)	\$3,303,289	\$ 4,838,797
	OTHER INCOME/(EXPENSE)		
414	Gain (Loss) from Disposing of Utility Assets	\$ 0	\$ (15,651)
419	Interest and Dividend Income	6,519	0
421	Non-Utility Income	0	0
426	Miscellaneous Non-Utility Expenses	0	0
427	Interest Expense	0	(22,364)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 6,519	\$ (38,015)
	NET INCOME/(LOSS)	\$ 3,309,808	\$ 4,800,782

COMPANY NAME: SANTA CRUZ WATER COMPANY

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ _____

Meter Deposits Refunded During the Test Year \$ _____

COMPANY NAME: SANTA CRUZ WATER COMPANY	
Name of System	ADEQ Public Water System Number (if applicable) 11-131

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (GPM)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (Inches)	Year Drilled
55-612737 – Smith	100	1070	1000	20	8	1972
55-617336 – Vance	250	1965	800	20	10	1973
55-621410 – Porter@	100	1000	400	20	10	1955
55-621408 – Neely East**	350	2000	1000	12	10	1955
55-621407 – Neely West	350	1980	700	12	10	1955
55-621406 – Neely North	400	2000	1000	12	10	1955
55-801069 – Cobblestone@	200	1280	660	12	10	1957
55-624037 – Glennwilde**	N/A	1380	1992	18	N/A	1965
55-509941 – Rancho Mirage**	400	2800	1100	16	N/A	1985
55-622132 – Maricopa Meadows@	UNK	1400	600	20	4	UNK
55-612741 – Maricopa Groves#	N/A	1200	1675	20	N/A	UNK
55-612247 – Amarillo Creek East**	300	1800	1000	18	10	1973
55-612250 – Sunset Canyon**	300	1500	1200	16	10	1978

** Well undergoing rehabilitation.

Not operational

@ construction/irrigation use only

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
150 HP	4	740	0
40 HP	4		
75 HP	4		
50 HP	4		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
500,000	2	5,000	4
1,500,000	2		

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: SANTA CRUZ WATER COMPANY	
Name of System	ADEQ Public Water System Number (if applicable) 11-131

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	11,340
3	PVC	220
6	PVC	26,696
8	PVC	262,739
10	PVC	13,231
12	PVC	69,983
16	PVC	70,322
20	PVC	10,200
6	DIP	177
8	DIP	720
12	DIP	2,233
16	DIP	38,107
24	DIP	4

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	1,827
3/4	10,690
1	85
1 1/2	41
2	94
Comp. 3	1
Turbo 3	3
Comp. 4	1
Turbo 4	2
Comp. 6	0
Turbo 6	0
Hydrant	45

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

Chlorine Injection System at Main Water Distribution Center and at Groves WDC and Meadows WDC.

STRUCTURES:

- Mobile Mini Trailer
- Masonry Brick Walls (Vance Well, WTP, WDCs)
- Office Trailer (@ Maricopa Meadows)
- Office/Customer Service Center

OTHER:

- SCADA Communications System & Video Monitoring System
- ITRON 2.0 Radio AMR System (endpoints, MVRS mobile read system, handhelds)
- ITRON Fixed Network 2.5 AMR System (CCUs, endpoints)
- Trailer Mounted Emergency Generator
- Switchgear for Distribution System & Well Sites
- 1 x 600 kW Emergency D/G
- 2 x Chevrolet Trailblazer
- 10 x Silverado Utility Vehicles
- 3 x Colorado Utility Vehicles
- 3 x Service Body Vehicles
- 1 x Econoline Van

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: SANTA CRUZ WATER COMPANY

Name of System **ADEQ Public Water System Number (if applicable) 11-131**

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2006

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	9887	94,370	106,541	
FEBRUARY	10172	104,725	100,339	
MARCH	10680	80,784	83,219	
APRIL	10896	121,471	119,800	
MAY	11138	295,226	160,026	
JUNE	11319	133,812	186,297	
JULY	11593	151,352	214,110	
AUGUST	11793	220,895	211,360	
SEPTEMBER	11971	167,459	189,362	
OCTOBER	12424	135,442	194,666	
NOVEMBER	12577	138,754	177,599	
DECEMBER	12744	157,651	177,061	
TOTALS →		1,801,948	1,920,379	0

*Includes all active customers in database: residential, builder, commercial, HOA/Irrigation, Construction Water. Also includes all 387 DWID customers.

What is the level of arsenic for each well on your system? See below mg/l

(If more than one well, please list each separately.)

ADWR #	Name	Average As, mg/L
55-612737	Smith	0.0084 mg/L
55-617336	Vance	0.0075 mg/L
55-621410	Porter	Not used for potable supply
55-801069	Cobblestone	Not used for potable supply
55-621407	Neely West	0.0069 mg/L
55-621408	Neely East	Undergoing further rehabilitation (re-lining) in 2007
55-621406	Neely North	0.0087 mg/L
55-624037	Glennwilde	0.0054 mg/L
55-509941	Rancho Mirage	0.004 mg/L
55-622132	Maricopa Meadows	Construction/Irrigation use only
55-612741	Maricopa Groves	Not Operational

If system has fire hydrants, what is the fire flow requirement? 1,000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?

Yes

No

Is the Water Utility located in an ADWR Active Management Area (AMA)?

Yes

No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

Yes

No

If yes, provide the GPCPD amount: 125

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME SANTA CRUZ WATER COMPANY YEAR ENDING 12/31/2006

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2006 was: **\$82,215.14**

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT
Taxes**

VERIFICATION

STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE

COUNTY OF (COUNTY NAME) <u>MARICOPA</u>
NAME (OWNER OR OFFICIAL) TITLE <u>CINDY LILES, SVP Growth + CFO</u>
COMPANY NAME <u>SANTA CRUZ WATER COMPANY</u>

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

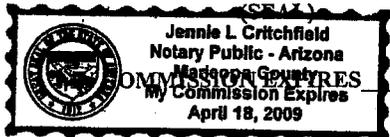
I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

Cindy Liles
SIGNATURE OF OWNER OR OFFICIAL

623-580-9600
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 12 DAY OF

COUNTY NAME <u>Maricopa</u>
MONTH <u>April</u> <u>2007</u>



Jennie Critchfield
SIGNATURE OF NOTARY PUBLIC

4/18/09

COMPANY NAME Santa Cruz Water Co., LLC YEAR ENDING 12/31/2006

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported

Tax return has been extended. This page will be amended and resubmitted when tax return has been filed.

Estimated or Actual Federal Tax Liability _____

State Taxable Income Reported

Tax return has been extended. This page will be amended and resubmitted when tax return has been filed.

Estimated or Actual State Tax Liability _____

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____

0

Amount of Gross-Up Tax Collected _____

0

Total Grossed-Up Contributions/Advances _____

0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Cindy M. Liles

SIGNATURE

April 16, 2007

DATE

Cindy M. Liles

PRINTED NAME

SVP-CFO

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Pinal County <i>MARICOPA</i> <i>A.</i>
NAME (OWNER OR OFFICIAL) TITLE Cindy Liles, CFO/SVP of Growth Mgmt
COMPANY NAME <i>Global Water- Santa Cruz Water Company</i>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$) \$ <u>5,919,222.67*</u>
--

*Excludes unregulated revenues of \$ 2,387,297.15 and tax of \$ 205,307.55

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 404,291.82*
IN SALES TAXES BILLED, OR COLLECTED)

**REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)

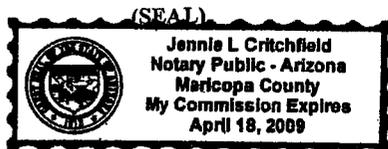
Cindy Liles
SIGNATURE OF OWNER OR OFFICIAL
623-580-9600
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 10th DAY OF

COUNTY NAME <i>Maricopa</i>
MONTH <i>April</i> .20 <i>07</i>



Jennie L. Critchfield
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only**

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Pinal County <i>MARICOPA</i>	
NAME (OWNER OR OFFICIAL) <i>Cindy Liles</i>	TITLE <i>CFO/SVP of Growth</i>
COMPANY NAME <i>Global Water - Santa Cruz Water Company</i>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES \$ <u>3,511,245.81</u> **
--

THE AMOUNT IN BOX AT LEFT INCLUDES \$ 301,967.14** IN SALES TAXES BILLED, OR COLLECTED)

**Excludes unregulated revenue of \$ 1,519,192.31 and taxes of \$ 130,650.54

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED.

Cindy Liles
SIGNATURE OF OWNER OR OFFICIAL

623-580-9600
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

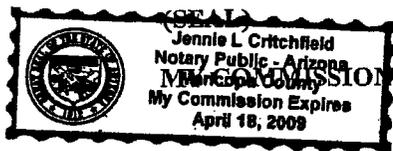
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

16th

DAY OF

NOTARY PUBLIC NAME <i>Jennie L Critchfield</i>
COUNTY NAME <i>Maricopa</i>
MONTH <i>April</i> .20 <i>07</i>



COMMISSION EXPIRES

4/18/09

X *Jennie L Critchfield*
SIGNATURE OF NOTARY PUBLIC

EXHIBIT

"7"

STATE OF ARIZONA



Office of the
CORPORATION COMMISSION
CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****BALTERRA SEWER CORP*****

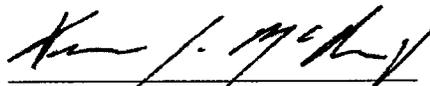
a domestic corporation organized under the laws of the State of Arizona, did incorporate on June 15, 2005.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 12th Day of October, 2007, A. D.




Executive Director

Order Number: 181072

EXHIBIT

"8"

EXHIBIT

"9"

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



SW-20403A
Balterra Sewer Corp.
c/o Jay Shapiro
3003 N. Central Ave. Suite 2600
Phoenix, Arizona 85012

ANNUAL REPORT

FOR YEAR ENDING

12	31	2006
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FOR COMMISSION USE

ANN05	06
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Statutory Agent: R. Neil Irwin, Esq. of Bryan Cave LLP
(Name)

2 North Central Avenue, Suite #2200 Phoenix Arizona 85004
(Street) (City) (State) (Zip)

602-364-7000 602-364-7070
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Attorney: Jay Shapiro of Fennemore Craig, P.C.
(Name)

3003 North Central Avenue, Suite #2600 Phoenix Arizona 85012
(Street) (City) (State) (Zip)

602-916-5000 602-916-5999
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

- | | |
|---|--|
| <input type="checkbox"/> Sole Proprietor (S) | <input checked="" type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P) | <input type="checkbox"/> Subchapter S Corporation (Z) |
| <input type="checkbox"/> Bankruptcy (B) | <input type="checkbox"/> Association/Co-op (A) |
| <input type="checkbox"/> Receivership (R) | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Other (Describe) _____ | |

COUNTIES SERVED

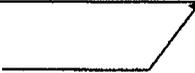
Check the box below for the county/ies in which you are certificated to provide service:

- | | | |
|-------------------------------------|--|-----------------------------------|
| <input type="checkbox"/> APACHE | <input type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA | <input type="checkbox"/> GRAHAM | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ | <input checked="" type="checkbox"/> MARICOPA | <input type="checkbox"/> MOHAVE |
| <input type="checkbox"/> NAVAJO | <input type="checkbox"/> PIMA | <input type="checkbox"/> PINAL |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI | <input type="checkbox"/> YUMA |
| <input type="checkbox"/> STATEWIDE | | |

COMPANY NAME **Balterra Sewer Corp.**

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
351	Organization			
352	Franchises			
353	Land and Land Rights			
354	Structures and Improvements			
355	Power Generation Equipment			
360	Collection Sewers – Force			
361	Collection Sewers – Gravity			
362	Special Collecting Structures			
363	Services to Customers			
364	Flow Measuring Devices			
365	Flow Measuring Installations			
370	Receiving Wells			
380	Treatment and Disposal Equip.			
381	Plant Sewers			
382	Outfall Sewer Lines			
389	Other Plant and Misc. Equipment			
390	Office Furniture and Equipment			
391	Transportation Equipment			
393	Tools, Shop and Garage Equip.			
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	TOTALS	0	0	0

This amount goes on the Balance Sheet Acct. No. 108 

COMPANY NAME Balterra Sewer Corp.

CALCULATION OF DEPRECIATION EXPENSE

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
351	Organization			
352	Franchises			
353	Land and Land Rights			
354	Structures and Improvements			
355	Power Generation Equipment			
360	Collection Sewers – Force			
361	Collection Sewers – Gravity			
362	Special Collecting Structures			
363	Services to Customers			
364	Flow Measuring Devices			
365	Flow Measuring Installations			
370	Receiving Wells			
380	Treatment and Disposal Equip.			
381	Plant Sewers			
382	Outfall Sewer Lines			
389	Other Plant and Misc. Equipment			
390	Office Furniture and Equipment			
391	Transportation Equipment			
393	Tools, Shop and Garage Equip.			
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	TOTALS	0		0

This amount goes on the Comparative Statement of Income and Expense Acct. 403 

COMPANY NAME **Balterra Sewer Corp.**

BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 0	\$ (9,493)
132	Special Deposits		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 0	\$ (9,493)
	FIXED ASSETS		
101	Utility Plant in Service	\$ 0	\$
103	Property Held for Future Use		
105	Construction Work in Progress		1,584,746
108	Accumulated Depreciation – Utility Plant		
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 0	\$ 1,584,746
	TOTAL ASSETS	\$ 0	\$ 1,575,253

NOTE: Total Assets on this page should equal Total Liabilities and Capital on the following page.

COMPANY NAME **Balterra Sewer Corp.**

BALANCE SHEET (CONTINUED)

Acct No.	LIABILITIES	BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	\$ 0	\$ 0
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 0	\$ 0
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 0	\$ 0
	DEFERRED CREDITS		
252	Advances in Aid of Construction	\$ 0	\$ 0
253	Other Deferred Credits		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 0	\$ 0
	TOTAL LIABILITIES	\$ 0	\$ 0
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 0	\$ 1,575,313
211	Other Paid in Capital		
215	Retained Earnings		(60)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 0	\$ 1,575,253
	TOTAL LIABILITIES AND CAPITAL	\$ 0	\$ 1,575,253

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
521	Flat Rate Revenues	\$ 0	\$ 0
522	Measured Revenues		
536	Other Wastewater Revenues		
	TOTAL REVENUES	\$ 0	\$ 0
	OPERATING EXPENSES		
701	Salaries and Wages	\$ 0	\$ 0
710	Purchased Wastewater Treatment		
711	Sludge Removal Expense		
715	Purchased Power		
716	Fuel for Power Production		
718	Chemicals		
720	Materials and Supplies		
731	Contractual Services – Professional		60
735	Contractual Services – Testing		
736	Contractual Services – Other		
740	Rents		
750	Transportation Expense		
755	Insurance Expense		
765	Regulatory Commission Expense		
775	Miscellaneous Expense		
403	Depreciation Expense		
408	Taxes Other Than Income		
408.11	Property Taxes		
409	Income Taxes		
	TOTAL OPERATING EXPENSES	\$ 0	\$ 60
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	\$ 0	\$ 0
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	TOTAL OTHER INCOME/EXPENSE	\$ 0	\$ 0
	NET INCOME/(LOSS)	\$ 0	\$ (60)

COMPANY NAME Balterra Sewer Corp.

NO LONG-TERM DEBT

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	N/A	N/A	N/A	N/A
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

COMPANY NAME **Balterra Sewer Corp.**

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WASTEWATER COMPANY PLANT DESCRIPTION

TREATMENT FACILITY

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	
DESIGN CAPACITY OF PLANT (Gallons Per Day)	

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)

FORCE MAINS

Size	Material	Length (Feet)
4-inch		
6-inch		

MANHOLES

Type	Quantity
Standard	
Drop	

CLEANOUTS

Quantity

WASTEWATER COMPANY PLANT DESCRIPTION (CONTINUED)

COLLECTION MAINS

SERVICES

Size (in inches)	Material	Length (in feet)
4		
6		
8		
10		
12		
15		
18		
21		
24		
30		

Size (in inches)	Material	Quantity
4		
6		
8		
12		
15		

FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY

SOLIDS PROCESSING AND HANDLING FACILITIES	
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	
STRUCTURES (Buildings, Fences, Etc.)	
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	

COMPANY NAME **Balterra Sewer Corp.**

WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW	SEWAGE FLOW ON PEAK DAY
Jan 2006	0	0	0
Feb	0	0	0
Mar	0	0	0
Apr	0	0	0
May	0	0	0
Jun	0	0	0
Jul	0	0	0
Aug	0	0	0
Sep	0	0	0
Oct	0	0	0
Nov	0	0	0
Dec	0	0	0

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	
Groundwater Permit Number	
ADEQ Aquifer Protection Permit Number	
ADEQ Reuse Permit Number	
EPA NPDES Permit Number	

STATISTICAL INFORMATION

Total number of customers 0

Total number of gallons treated 0 gallons

COMPANY NAME Balterra Sewer Corp. YEAR ENDING 12/31/2006

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported 0
Estimated or Actual Federal Tax Liability 0

State Taxable Income Reported 0
Estimated or Actual State Tax Liability 0

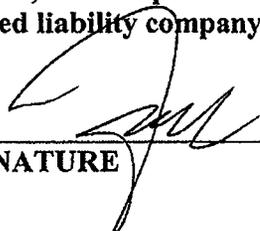
Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances 0
Amount of Gross-Up Tax Collected 0
Total Grossed-Up Contributions/Advances 0

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

4/13/07
DATE

JOEL H. FARAKAS
PRINTED NAME

President
TITLE

COMPANY NAME Balterra Sewer Corp. YEAR ENDING 12/31/2006

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2006 was: \$ 0

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. Sewer operations have not started.

**VERIFICATION
AND
SWORN STATEMENT
Taxes**

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF <u>Maricopa</u>
NAME <u>Joel H. Farkas, President</u>
<u>Balterra Sewer Corp</u>

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

Joel H. Farkas
 SIGNATURE OF OWNER OR OFFICIAL

 480-422-6900
 TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF
 THIS 13th DAY OF April

COUNTY NAME <u>Maricopa</u>
MONTH <u>April</u> <u>2007</u>



Marsha Kennedy
 SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 2008

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED
OF THE

COUNTY OF <u>Maricopa</u>	
NAME <u>Joel H. Farkas, President</u>	
<u>Balterra Sewer Corp</u>	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2006 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)
\$ _____

(THE AMOUNT IN BOX ABOVE
INCLUDES \$ _____
IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Joel H. Farkas

SIGNATURE OF OWNER OR OFFICIAL
480-422-6900

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 13th DAY OF

COUNTY NAME	<u>Maricopa</u>
MONTH	<u>April</u> , 20 <u>07</u>

MY COMMISSION



Marsha Kennedy

SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

VERIFICATION

COUNTY OF Maricopa

STATE OF Arizona

NAME Joel H. Farkas, President

I, THE UNDERSIGNED
OF THE

Balterra Sewer Corp

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2006

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2006 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ _____

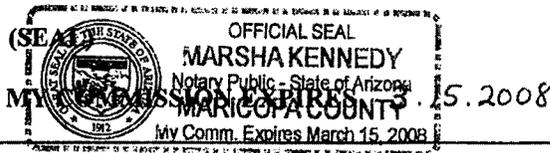
(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ _____
IN SALES TAXES BILLED, OR COLLECTED

*RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.

X Joel H. Farkas
SIGNATURE OF OWNER OR OFFICIAL
480-422-6900
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS 13th DAY OF

NOTARY PUBLIC NAME	<u>MARSHA Kennedy</u>
COUNTY NAME	<u>Maricopa</u>
MONTH	<u>April</u> <u>2007</u>



X Marsha Kennedy
SIGNATURE OF NOTARY PUBLIC