

4

Received \_\_\_\_\_  
Examined \_\_\_\_\_

CLASS D  
WATER UTILITIES

U# \_\_\_\_\_

2001  
ANNUAL REPORT  
OF

Arroyo Center Water Company, Inc.

Received (NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

Examined \_\_\_\_\_ 47475 Arroyo Saco Road

CLASS D

Greenfield, Ca 93927

WATER UTILITIES

U# \_\_\_\_\_  
(OFFICIAL MAILING ADDRESS)

ZIP

2001  
TO THE  
ANNUAL REPORT  
PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
OF  
FOR THE  
YEAR ENDED DECEMBER 31, 2001

(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2002

(FILE TWO COPIES IF THREE RECEIVED)

(OFFICIAL MAILING ADDRESS)

ZIP

TO THE  
PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA

# CLASS D WATER UTILITIES

(HAVING LESS THAN 500 SERVICE CONNECTIONS)

Arroyo Center Water Company, Inc.

(Name under which corporation, partnership or individual is doing business)

47475 Arroyo Seco Road, Greenfield Ca 93927

(Official mailing address)

Arroyo Seco Resort, Monterey County

(Service area-town and county)

## GENERAL INFORMATION

**RETURN ORIGINAL  
TO COMMISSION  
NO PHOTOCOPIES**

- 1 If a corporation show:
  - (A) Date of organization 6/9/61 incorporated in the State of California
  - (B) Names, titles and addresses of principal officers: **See Attached**
  
- 2 If unincorporated give the name and address of owner or of each partner:  
N/A
  
- 3 Name and telephone number of:
  - (A) One person listed above to receive correspondence: **See Attached**
  - (B) Person responsible for operations and services: **See Attached**
  
- 4 Were any contracts or agreements in effect with any organization or person covering service, supervision and/or management of your business affairs during the year? (Yes or No) **Yes**  
If so, what was the nature and the amount of each payment made under the agreement, to whom were payments made, and to what account was each payment charged? **See Attached**
  
- 5 State the names of associated companies or persons which, directly or indirectly, or through one or more intermediaries, control, or are controlled by, or are under common control with respondent:

### PUBLIC HEALTH STATUS

- 6 Has state or local health department inspection been made during the year?
- 7 Are routine laboratory tests of water being made?
- 8 Has state health department water supply permit been obtained? (Indicate date)
- 9 If no permit has been obtained, state whether application has been made and when.
- 10 Show expiration date if state permit is temporary.

Yes	No	Latest Date
X		Dec 2001
X		Dec 2001
X		12/15/95

**SPECIAL INSTRUCTIONS (over)**

## **SPECIAL INSTRUCTIONS**

- 1** Beginning of year balances must agree with end of year balances shown in report for previous year.  
Attach a supplementary statement to explain any differences.
- 2** Attach a supplementary statement to explain adjustments in Schedule B - Water Plant in Service.
- 3** Complete all schedules, using the words "None" or "Not applicable" if appropriate.
- 4** Report must be prepared legibly in ink or by typewriter.

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES  
20\_\_\_\_

NAME OF UTILITY Arroyo Center Water Company, Inc. PHONE 831 674 556

PERSON RESPONSIBLE FOR THIS REPORT Brent Green, CPA  
(Prepared from Information in the 2001 Annual Report)

	1/1/01	12/31/01	Average
<b>BALANCE SHEET DATA</b>			
1 Intangible Plant			
2 Land and Land Rights	300	300	300
3 Depreciable Plant	23384	23384	23384
4 Gross Plant in Service	23684	23684	23684
5 Less: Accumulated Depreciation	23159	23223	23191
6 Net Water Plant in Service	525	461	493
7 Water Plant Held for Future Use			
8 Construction Work in Progress			
9 Materials and Supplies			
10 Less: Advances for Construction	( )	( )	( )
11 Less: Contribution in Aid of Construction	( )	( )	( )
12 Less: Accumulated Deferred Income and Investment Tax Credits	( )	( )	( )
13 Net Plant Investment	525	461	493
<b>CAPITALIZATION</b>			
14 Common Stock	10000	10000	10000
15 Proprietary Capital (Individual or Partnership)			
16 Paid-in Capital			
17 Retained Earnings	(4054)	(1220)	(2637)
18 Common Stock and Equity (Lines 14 through 17)	5946	8780	7363
19 Preferred Stock			
20 Long-Term Debt			
21 Notes Payable	16963	17460	17212
22 Total Capitalization (Lines 18 through 21)	22909	26240	24575

(Revised 2/01)

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES

2001

(continued)

NAME OF UTILITY Arroyo Center Water Company, Inc. PHONE (831) 674-5562

**INCOME STATEMENT**

	Annual Amount
23 Unmetered Water Revenue	<u>34572</u>
24 Fire Protection Revenue	<u>          </u>
25 Irrigation Revenue	<u>          </u>
26 Metered Water Revenue	<u>          </u>
27 Total Operating Revenue	<u>34572</u>
28 <u>Operating Expenses</u>	<u>30033</u>
29 Depreciation Expense (Composite Rate _____)	<u>64</u>
30 Amortization and Property Losses	<u>          </u>
31 Property Taxes	<u>149</u>
32 Taxes Other Than Income Taxes	<u>909</u>
33 Total Operating Revenue Deduction Before Taxes	<u>31155</u>
34 California Corp. Franchise Tax	<u>800</u>
35 Federal Corporate Income Tax	<u>          </u>
36 Total Operating Revenue Deduction After Taxes	<u>31955</u>
37 Net Operating Income (Loss) - California Water Operations	<u>2617</u>
38 Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	<u>240</u>
39 Income Available for Fixed Charges	<u>2857</u>
40 Interest Expense	<u>          </u>
41 Net Income (Loss) Before Dividends	<u>2857</u>
42 Preferred Stock Dividends	<u>          </u>
43 Net Income (Loss) Available for Common Stock	<u>2857</u>

**OTHER DATA**

44 Refunds of Advances for Construction	<u>          </u>
45 Total Payroll Charged to Operating Expenses	<u>7268</u>
46 Purchased Water	<u>          </u>
47 Power	<u>2038</u>

Active Service Connections (Exc. Fire Protect.) \_\_\_\_\_

	Jan. 1	Dec. 31	Annual Average
48 Metered Service Connections	<u>          </u>	<u>          </u>	<u>          </u>
49 Flat Rate Service Connections	<u>63</u>	<u>63</u>	<u>63</u>
50 Total Active Service Connections	<u>63</u>	<u>63</u>	<u>63</u>
	<u>          </u>	<u>          </u>	<u>          </u>

**CLASS B, C AND D WATER COMPANIES  
SAFE DRINKING WATER BOND ACT DATA**

Please provide the following information relating to each Safe Drinking Water Bond Act (SDWBA) loan outstanding during the 12 month reporting period. (Use one sheet for each loan.)

1. Current Fiscal Agent:

Name: \_\_\_\_\_ N/A  
Address: \_\_\_\_\_  
Phone Number: \_\_\_\_\_  
Date Hired: \_\_\_\_\_

2. Former Fiscal Agent: N/A

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone Number: \_\_\_\_\_  
Date Hired: \_\_\_\_\_

3. Total surcharge collected from customers during the 12 month reporting period:

\$ \_\_\_\_\_ N/A

4. Summary of the trust bank account activities showing:

Balance at beginning of year	\$ _____	N/A
Deposits during the year	_____	
Withdrawals made for loan payments	_____	
Other withdrawals from this account	_____	
Balance at end of year	_____	

5. Account information:

Bank Name: \_\_\_\_\_ N/A  
Account Number: \_\_\_\_\_  
Date Opened: \_\_\_\_\_

6. Plant amounts included in Schedule A, Account No. 101--Water Plant in Service which were funded using SDWBA funds: N/A

Line No.	Acct. No.	Title of Account (a)	Balance Beginning of Year (b)	Plant Additions During Year (c)	Plant Retirements During Year (d)	Other Debits or (Credits) (e)	Balance End of Year (f)
1		<b>NON-DEPRECIABLE PLANT</b>					
2	301	Intangible plant					
3	303	Land					
4		Total non-depreciable plant					
5		<b>DEPRECIABLE PLANT</b>					
6	304	Structures					
7	307	Wells					
8	317	Other water source plant					
9	311	Pumping equipment					
10	320	Water treatment plant					
11	330	Reservoirs, tanks and sandpipes					
12	331	Water mains					
13	333	Services and meter installations					
14	334	Meters					
15	335	Hydrants					
16	339	Other equipment					
17	340	Office furniture and equipment					
18	341	Transportation equipment					
19		Total depreciable plant					
20		Total water plant in service					

**SCHEDULE A - BALANCE SHEET (DECEMBER 31, 20\_\_)**

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	23684	201	Common Stock (Corporations only)	10000
2	103	Water plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Water plant purchased or sold		215	Retained earnings	-1220
4	105	Water plant construction work in progress		218	Proprietary capital	
5	108	Accumulated depreciation of water plant	23223	224	Long term debt	
6	114	Water plant acquisition adjustments			Current Liabilities	17460
7	124	Other investments		252	Advances for construction	
8	131	Cash	25779	253	Other deferred credits	
9	141	Accounts receivable - customers		255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies		282	Accumulated deferred income taxes - Acrs	
11	151	Materials and supplies			depreciation	
12	174	Other current assets		283	Accumulated deferred income taxes - other	
13	180	Deferred charges		271	Contributions in aid of construction	
14				272	Accumulated amortization of contributions	
15		Total Assets	26240		Total Equity and Liabilities	26240

**SCHEDULE B - WATER PLANT IN SERVICE**

Line	Acct	Title of Account	Balance Beg of Year	Pit Additions During year	Pit Retirements During year	Other Debits or (Credits)	Balance End of year
16	301	Intangible plant					
17	303	Land	300				300
18	304	Structures					
19	307	Wells	9822				9822
20	317	Other water source plant					
21	311	Pumping equipment	12841				12841
22	320	Water treatment plant					
23	330	Reservoirs tanks and sandpipes					
24	331	Water mains					
25	333	Services and meter installations					
26	334	Meters	721				721
27	335	Hydrants					
28	339	Other equipment					
29	340	Office furniture and equipment					
30	341	Transportation equipment					
31		Total water plant in service	23684				23684

\* Debit or credit entries should be explained by footnotes or supplementary schedules

**SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT**

Line	Item	Account 106 Water Plant	Account 106.1 SDWBA Loans	
32	Balance in reserves at beginning of year	23159		A. Method used to compute depreciation
33	Add: Credits to reserves during year			expense (Acct. 403) and rate.
34	(a) Charged to Account No. 403	64		
35	(b) Charged to Account No. 272			
36	(c) Charged to clearing accounts			B. Amount of depreciation expense claimed
37	(d) Salvage recovered			or to be claimed on utility property in
38	(e) All other credits			your federal income tax return for the year
39	Total credits	64		covered by this report \$64
40	Deduct: Debits to reserves during year			
41	(a) Book cost of property retired			
42	(b) Cost of removal			C. State method used to compute tax
43	(c) All other debits			depreciation. Straight Line
44	Total debits	0		
45	Balance in reserve at end of year	23223		
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			



**SCHEDULE D - CAPITAL STOCK OUTSTANDING (DECEMBER 31, 2001\_\_)**

Line				
1	Common - (Shares	\$	par)	10000
2	Preferred - (Shares	\$	par)	
3	Dividends - Common	Rate - \$		
4	- Preferred	Rate - \$		

List persons owning more than 5% of outstanding stock and number of shares owned by each:  
Arroyo Seco Resort 100%

**SCHEDULE E - LONG TERM DEBT**

	Class	Date of Issue	Date of Maturity	Principal Amount Authorized	Outstanding Per Balance Sheet	Rate of Interest	Interest Accrued During Year	Interest Paid During Year
5								
6								
7								
8	Totals				0			

**SCHEDULE F - INCOME STATEMENT**

9	Operating revenues	xxxxxxxxxx
10	460 Unmetered water revenue	34572
11	462 Fire protection revenue	
12	465 Irrigation revenue	
13	470 Metered water revenue	
14	480 Other water revenue	
15	Total Operating Revenue	34572
16	Operating revenue deductions	xxxxxxxxxx
17	Operating expenses	xxxxxxxxxx
18	610 Purchased water	
19	615 Power	2038
20	618 Other volume related expenses	
21	630 Employee labor	
22	640 Materials	
23	650 Contract work (Testing etc.)	2843
24	660 Transportation expenses	605
25	664 Other plant maintenance expense	552
26	670 Office salaries	
27	671 Management salaries	7268
28	674 Employee pensions and benefits	909
29	676 Uncollectible accounts expense	
30	678 Office services and rentals(house rent)	8000
31	681 Office supplies and expense	219
32	682 Professional services	2222
33	684 Insurance	4347
34	688 Regulatory commission expense	
35	689 General expenses	1939
36	Total Operating Expenses	30942
37	403 Depreciation expense	64
38	407 SDWBA loan amortization expense	
39	408 Taxes other than income taxes	149
40	409 State corporate income tax expense	800
41	410 Federal corporate income tax expense	
42	Total Operating Revenue Deductions	31955
43	Utility Operating Income	2716
44	421 Non-utility income	240
45	426 Miscellaneous non-utility expense	
46	427 Interest expense	
47	Net Income	2857

**SCHEDULE G - SOURCES OF SUPPLY AND WATER DEVELOPED WELLS**

Location	No.	Diam. Inch	Depth to water feet	Pumping capacity (g.p.m.)	Annual quantities pumped
By River	1	8"	15	30	N/A
By River	1	8"	15	40	N/A

**OTHER**

Streams or springs location of diversion point	Flow in (Unit)		Annual quantities diverted (Unit)	
	Priority right	Diversions		
	Claim	Capacity	Max	Min
N/A				
Purchased water (unit)				Annual quantity
Supplier:				

**SCHEDULE H - OPTIONAL WATER DELIVERED TO METERED CUSTOMERS (If figures are available) (specify unit)**

Classification of service	Max. mo. Mo. of	Min. mo. Mo. of	Total for year
Residential & business			
Industrial			
Public authorities			
Irrigation			
Other (specify)			
Total			N/A

**SCHEDULE I - EMPLOYEES AND THEIR COMPENSATION**

Line	Acct	Account	Number at end of year	Salaries Charged to Expense	Salaries Charged to Plant Accounts	Total Salaries and Wages Paid
48	630	Employee Labor				
49	670	Office salaries				
50	671	Management salaries	1	7268		7268
51		Total	1	7268		7268

**SCHEDULE J - ADVANCES FOR CONSTRUCTION**

Balance beginning of year	
Additions during year	
Subtotal - Beginning balance plus additions during year	
Refunds	
Transfers to Acct. 271 - Contributions in Aid of Construction	
Balance end of year	None

**SCHEDULE K - TOTAL METERS  
AND SERVICES (active and inactive)**

Size	Meters	Services
5/8 x 3/4-in		
3/4-in		
1-in	N/A	
-in		
-in		
Total		Flat Rate

**SCHEDULE L - METER-TESTING DATA**

Number of meters tested during year	
1	Used, before repair... _____
2	Used, after repair ..... _____
3	Fast, requiring refund .. _____
Numbers of meters in service requiring test per General Order No. 103 ..... None	

**SCHEDULE M - SERVICE CONNECTIONS AT END OF YEAR**

Classification	Active			Inactive			Total connections	
	Metered	Flat	Total	Metered	Flat	Total	Metered	Flat
Residences		63	63					63
Industrial								
Other (specify)								
Subtotal		63	63					63
Fire protection (Hydrants)								
Total		63	63					63

NOTE: Total connections (metered plus flat) should agree with total services in Schedule K.

**SCHEDULE N - STORAGE FACILITIES**

**SCHEDULE O - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)**

Description	No.	Combined capacity in gallons	Description	Pipe Sizes				Totals
				2" and under	2 1/4 to 3 1/4	4"	Other sizes (specify)	
Concrete			Cast Iron					
Earth			Welded steel					
Wood	1	20,000	Standard screw	X				6000
Steel			Cement-asbestos					
Other			Plastic			X		900
			Other (specify)					
Total		20,000	Total					6900

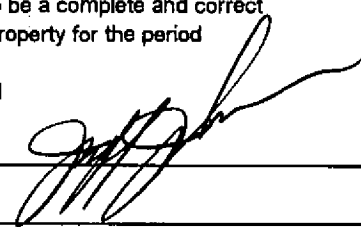
**DECLARATION**

(BEFORE SIGNING PLEASE CHECK TO SEE THAT ALL SCHEDULES HAVE BEEN COMPLETED)

I, the undersigned (officer, partner or owner) of **Arroyo Center Water Company, Inc.** under penalty of perjury do declare that this report has been prepared by me, or under my direction, from the books, papers and records of the respondent; that I have carefully examined the same, and declare the same to be a complete and correct statement of the business and affairs of the above-named respondent and the operations of its property for the period

From and including \_\_\_\_ 1/1 \_\_\_\_\_, 2001 \_\_\_\_, to and including 12/31, 2001

\_\_\_\_\_  
Jeff Jenkinson  
Signed  
Vice President



\_\_\_\_\_  
Title  
03/29/02  
Date

**ARROYO SECO WATER COMPANY, INC.**  
**CLASS D WATER UTILITY**

**Supplemental Information**

Line 1. B Names, title and addresses of principal officers:

Name: Collette Titgen

Title: President

Address: 47530 Arroyo Seco Road

Greenfield, Ca 93927

Name: Kathy Radley

Title: Treasurer

Address: 1180 Theresa St.

Seaside, Ca 93955

Name: Jeff Jenkinson

Title: Vice President

Address: 138 San Juan Dr.

Salinas, Ca 93901

Name: MacGregor B. Hay

Title: Secretary

Address: 5992 Chelton Drive

Oakland, Ca 946110

Line 3A Person to receive correspondence:

Name: Collette Titgen

Phone # (831) 674 5448

Line 3B Person responsible for operations and Services

Name: Collette Titgen

Phone # (831) 674 5448

Line 4 Person covering Service and/or Supervision

Nature: Management Services

Amount: \$7268

Name: Todd Cook (2001), James Threet (2002)

Account: Salaries Fuel

Line 5 Associated Company

Name: Arroyo Seco Resort, Inc.

Address: 47475 Arroyo Seco Road

Greenfield, Ca 93927



# **ARROYO CENTER WATER COMPANY, INC.**

## **COMPILED FINANCIAL STATEMENTS**

**For the Years Ended  
December 31, 2004 and 2003**

**GREEN'S ACCOUNTING  
CERTIFIED PUBLIC ACCOUNTANT**

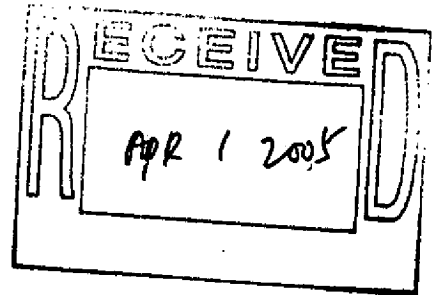
(831) 674-5562  
Fax: (831) 674-5265  
1 (800) 680-4829

*Green's Accounting*  
*Certified Public Accountant*

*Three hundred El Camino Real*  
*Post Office Box 698*  
*Greenfield, California 93927*

March 30, 2005

California Public Utilities Commission  
Water Division  
Attention: Seaneen M Wilson  
505 Van Ness Avenue - Room 3105  
San Francisco, CA 94102



Dear Seaneen:

Enclosed please find two original copies of the Water and/or Sewer Utilities Annual Report for the Arroyo Center Water Company, Inc. An electronic copy was also sent on March 29, 2005 to [smw@cpuc.ca.gov](mailto:smw@cpuc.ca.gov). Also enclosed please find a copy of the compiled financial statements of the aforementioned company for your reference.

Should you have any questions, please do not hesitate to call.

Yours very truly,

*But Ann*

Greens' Accounting  
Certified Public Accountants

Enclosures

(831) 674-5562  
Fax: (831) 674-5265  
1 (800) 680-4829

*Green's Accounting*  
*Certified Public Accountant*

*Three hundred El Camino Real*  
*Post Office Box 698*  
*Greenfield, California 93927*

**ACCOUNTANT'S COMPILATION REPORT**

To the Shareholders  
Arroyo Center Water Company, Inc.  
Greenfield, California

I have compiled the accompanying statement of assets, liabilities, and equity - income tax basis of Arroyo Center Water Company, Inc. (a corporation) as of December 31, 2004 and 2003, and the related statements of revenues and expenses and equity - income tax basis and cash flows - income tax basis for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by management for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Burt Mann*

Green's Accounting  
Certified Public Accountant

March 28, 2005

ARROYO CENTER WATER COMPANY, INC.  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY - INCOME TAX BASIS  
DECEMBER 31, 2004 AND 2003

	2004	2003
<b><u>ASSETS</u></b>		
CURRENT ASSETS:		
Cash in Bank - Checking	\$ 7,188	\$ 3,747
Cash in Bank - Savings	9,383	13,290
Cash in Bank - Improvement Account	72,518	35,052
Accounts Receivable	<u>4,017</u>	<u>8,211</u>
TOTAL CURRENT ASSETS	<u>93,106</u>	<u>60,300</u>
PLANT AND EQUIPMENT - at cost		
Land	300	300
Equipment	23,384	23,384
Construction in Progress	<u>14,130</u>	<u>9,110</u>
	37,814	32,794
Less: Accumulated Depreciation	<u>(23,384)</u>	<u>(23,351)</u>
	<u>14,430</u>	<u>9,443</u>
TOTAL ASSETS	<u>\$ 107,536</u>	<u>\$ 69,743</u>
<b><u>LIABILITIES AND CAPITAL</u></b>		
CURRENT LIABILITIES:		
Accrued Expenses	\$ 544	\$ 1,028
Deposits	1,140	-0-
Shareholder Loans - Arroyo Seco Resort	38,261	27,827
Deferred Revenue - Accounts Receivable	<u>4,017</u>	<u>8,211</u>
TOTAL CURRENT LIABILITIES	<u>43,962</u>	<u>37,066</u>
EQUITY:		
Common Stock	10,000	10,000
Retained Earnings	<u>53,574</u>	<u>22,677</u>
TOTAL EQUITY	<u>63,574</u>	<u>32,677</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 107,536</u>	<u>\$ 69,743</u>

See Accountant's Compilation Report.

ARROYO CENTER WATER COMPANY, INC.  
STATEMENT OF REVENUES, EXPENSES AND  
RETAINED EARNINGS - INCOME TAX BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES</b>		
Water Assessments	\$ 40,293	\$ 38,090
Special Assessment	<u>42,500</u>	<u>44,100</u>
	<u>82,793</u>	<u>82,190</u>
<b>OPERATING EXPENSES:</b>		
Wages	15,370	15,740
Rent	8,400	16,800
Insurance	6,165	5,714
Legal and Accounting	3,831	2,417
Licenses and Permits	3,420	2,616
Utilities	2,689	2,665
Outside Services	1,680	1,350
Payroll Taxes	1,648	1,360
Telephone	1,035	1,026
Fuel Allowance	900	960
Office Expense	501	505
Repairs and Maintenance	413	1,818
Supplies	238	213
Professional Development	213	-
Taxes	149	149
Miscellaneous	67	194
Depreciation	<u>33</u>	<u>64</u>
	<u>46,752</u>	<u>53,591</u>
<b>OPERATING INCOME &lt;LOSS&gt;</b>	36,041	28,599
<b>INTEREST INCOME</b>	93	112
<b>INCOME TAXES</b>	<u>(5,237)</u>	<u>(800)</u>
<b>NET INCOME &lt;LOSS&gt;</b>	30,897	27,911
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<u>22,677</u>	<u>(5,234)</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>\$ 53,574</u>	<u>\$ 22,677</u>

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See Accountant's Compilation Report.



ARROYO CENTER WATER COMPANY, INC.  
 STATEMENT OF CASH FLOWS - INCOME TAX BASIS  
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

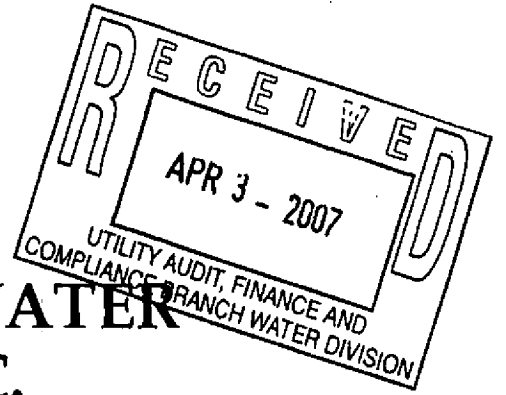
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	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income <Loss>	\$ 30,897	\$ 27,911
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	33	64
Increase (Decrease) Deposits	1,140	
Accrued Payroll Taxes	<u>(484)</u>	<u>428</u>
Net Cash Provided by (Used in) Operating Activities	<u>31,586</u>	<u>28,403</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction in Progress	<u>(5,020)</u>	<u>(9,110)</u>
Net Cash Used in Investing Activities	<u>(5,020)</u>	<u>(9,110)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Stockholder Loans	-0-	(3,000)
Issuance of Stockholder Loans	<u>10,434</u>	<u>17,769</u>
Net Cash Provided by (Used in) Financing Activities	<u>10,434</u>	<u>14,769</u>
 <b>NET INCREASE &lt;DECREASE&gt; CASH</b>	 37,000	 34,062
<b>CASH, BEGINNING OF YEAR</b>	<u>52,089</u>	<u>18,027</u>
<b>CASH, END OF YEAR</b>	<u>\$ 89,089</u>	<u>\$ 52,089</u>
 <b>SUPPLEMENTAL DISCLOSURE:</b>		
Income Taxes Paid	<u>\$ 5,237</u>	<u>\$ 800</u>

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See Accountant's Compilation Report.

C J



# ARROYO CENTER WATER COMPANY, INC.

## COMPILED FINANCIAL STATEMENTS

For the Years Ended  
December 31, 2006 and 2005

GREEN'S ACCOUNTING  
CERTIFIED PUBLIC ACCOUNTANT

*Green's Accounting*  
*Certified Public Accountant*

(831) 674-5562  
Fax: (831) 674-5265  
1 (800) 680-4829

*Three hundred El Camino Real*  
*Post Office Box 698*  
*Greenfield, California 93927*

ACCOUNTANT'S COMPILATION REPORT

To the Shareholders  
Arroyo Center Water Company, Inc.  
Greenfield, California

I have compiled the accompanying statements of assets, liabilities, and equity - income tax basis of Arroyo Center Water Company, Inc. (a corporation) as of December 31, 2006 and 2005, and the related statements of revenues and expenses and equity - income tax basis and cash flows - income tax basis for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by management for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Association's assets, liabilities, equity, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

I am not independent with respect to Arroyo Center Water Company, Inc.

*Burt A.*

Green's Accounting  
Certified Public Accountants

March 10, 2007

ARROYO CENTER WATER COMPANY, INC.  
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY - INCOME TAX BASIS  
 DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash in Bank - Checking	\$ 15,771	\$ -0-
Cash in Bank - Savings	985	3,469
Cash in Bank - Improvement Account	13,437	285
Accounts Receivable	<u>10,396</u>	<u>3,373</u>
TOTAL CURRENT ASSETS	<u>40,589</u>	<u>7,127</u>
PLANT AND EQUIPMENT - at cost		
Land	300	300
Equipment	23,384	23,384
Construction in Progress	<u>155,861</u>	<u>127,354</u>
	179,545	151,038
Less: Accumulated Depreciation	<u>(23,384)</u>	<u>(23,384)</u>
	<u>156,161</u>	<u>127,654</u>
TOTAL ASSETS	<u>\$ 196,750</u>	<u>\$ 134,781</u>
<u>LIABILITIES AND CAPITAL</u>		
CURRENT LIABILITIES:		
Bank Overdraft	\$ -0-	\$ 5,411
Accrued Expenses	775	1,118
Deposits	1,520	1,330
Shareholder Loans - Arroyo Seco Resort	69,179	46,799
Deferred Revenue - Accounts Receivable	<u>10,396</u>	<u>3,373</u>
TOTAL CURRENT LIABILITIES	<u>81,870</u>	<u>58,031</u>
EQUITY:		
Common Stock	10,000	10,000
Retained Earnings	<u>104,880</u>	<u>66,750</u>
TOTAL EQUITY	<u>114,880</u>	<u>76,750</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 196,750</u>	<u>\$ 134,781</u>

See Accountant's Compilation Report.

ARROYO CENTER WATER COMPANY, INC.  
STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS  
INCOME TAX BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>OPERATING REVENUES</b>		
Water Assessments	\$ 39,262	\$ 29,493
Special Assessment	41,430	42,180
Miscellaneous Income	120	195
	<u>80,812</u>	<u>71,868</u>
<b>OPERATING EXPENSES:</b>		
Wages	15,440	15,700
Rent	8,400	8,400
Outside Services	3,350	3,046
Legal and Accounting	3,030	4,250
Licenses and Permits	2,241	2,234
Payroll Taxes	2,032	1,466
Utilities	1,596	2,034
Fuel Allowance	975	830
Supplies	721	640
Insurance	637	6,853
Telephone	485	659
Office Expense	304	598
Bank Charges	218	-0-
Miscellaneous	212	68
Taxes	149	149
Repairs and Maintenance	-0-	693
	<u>39,790</u>	<u>47,620</u>
<b>OPERATING INCOME &lt;LOSS&gt;</b>	41,022	24,248
<b>INTEREST INCOME</b>	15	86
<b>INCOME TAXES - Net</b>	<u>(2,907)</u>	<u>(11,158)</u>
<b>NET INCOME &lt;LOSS&gt;</b>	38,130	13,176
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<u>66,750</u>	<u>53,574</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>\$ 104,880</u>	<u>\$ 66,750</u>

See Accountant's Compilation Report.

ARROYO CENTER WATER COMPANY, INC.  
STATEMENT OF CASH FLOWS - INCOME TAX BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 38,130	\$ 13,176
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Increase (Decrease)		
Deposits	190	190
Accrued Payroll Taxes	<u>(343)</u>	<u>574</u>
Net Cash Provided by Operating Activities	<u>37,977</u>	<u>13,940</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction in Progress	<u>(28,507)</u>	<u>(113,224)</u>
Net Cash Used in Investing Activities	<u>(28,507)</u>	<u>(113,224)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (Decrease) in Bank Overdraft	(5,411)	5,411
Issuance of Stockholder Loans	<u>22,380</u>	<u>8,538</u>
Net Cash Used in Financing Activities	<u>16,969</u>	<u>13,949</u>
<b>NET INCREASE &lt;DECREASE&gt; CASH</b>	26,439	(85,335)
<b>CASH, BEGINNING OF YEAR</b>	<u>3,754</u>	<u>89,089</u>
<b>CASH, END OF YEAR</b>	<u>\$ 30,193</u>	<u>\$ 3,754</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Income Taxes Paid	<u>\$ 2,907</u>	<u>\$ 11,158</u>

See Accountant's Compilation Report.