ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

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W-01906A
East Slope Water Company
301 North Garden Avenue
Sierra Vista, AZ 85635

RECEIVED
APR 2 2008
AZ CORP COMM
Director Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2007

FOR COMMISSION USE

ANN 04	07

PROCESSED BY:
4-17-08

SCANNED

COMPANY INFORMATION

Company Name (Business Name) East Slope Water Company

Mailing Address 301 North Garden Avenue
(Street)

Sierra Vista (City) Arizona (State) 85635 (Zip)

(520)-458-3209 Telephone No. (Include Area Code) (520)-439-9717 Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

Email Address nfwatkins@theriver.net

Local Office Mailing Address Same as above
(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: Nathan Watkins (Name) Manager (Title)

301 North Garden Avenue (Street) Sierra Vista (City) Arizona (State) 85635 (Zip)

(520) 458-3209 Telephone No. (Include Area Code) (520) 439-9717 Fax No. (Include Area Code) (520)-266-1976 Pager/Cell No. (Include Area Code)

Email Address nfwatkins@theriver.net

On Site Manager: Same as above
(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.**

Statutory Agent: Bob Watkins
(Name)

301 North Garden Avenue (Street) | Sierra Vista (City) | Arizona (State) | 85635 (Zip)

(520) 458-3209 Telephone No. (Include Area Code) | (520) 439-9719 Fax No. (Include Area Code | Pager/Cell No. (Include Area Code)

Attorney: Not Applicable
(Name)

(Street) | (City) | (State) | (Zip)

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:

- X **Sole Proprietor (S)**
- ☐ **Partnership (P)**
- ☐ **Bankruptcy (B)**
- ☐ **Receivership (R)**
- ☐ **Other** (Describe)_____
- ☐ **C Corporation (C) (Other than Association/Co-op)**
- ☐ **Subchapter S Corporation (Z)**
- ☐ **Association/Co-op (A)**
- ☐ **Limited Liability Company**

COUNTIES SERVED

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

☐ **APACHE**	X **COCHISE**	☐ **COCONINO**
☐ **GILA**	☐ **GRAHAM**	☐ **GREENLEE**
☐ **LA PAZ**	☐ **MARICOPA**	☐ **MOHAVE**
☐ **NAVAJO**	☐ **PIMA**	☐ **PINAL**
☐ **SANTA CRUZ**	☐ **YAVAPAI**	☐ **YUMA**
☐ **STATEWIDE**		

COMPANY NAME: East Slope 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			
304	Structures and Improvements	26,421	2,521	23,900
307	Wells and Springs	31,677	19,930	11,737
311	Pumping Equipment	241,776	160,337	81,439
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	143,303	135,546	7,757
333	Services			
334	Meters and Meter Installations	6,471	5,152	874
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	11,330	9,398	1,932
341	Transportation Equipment	49,938	44,552	5,386
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	**510,906**	**377,881**	**133,025**

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

COMPANY NAME: East Slope 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			
304	Structures and Improvements	26,421		981
307	Wells and Springs	31,677		
311	Pumping Equipment	241,776		9,312
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	143,303		301
333	Services			
334	Meters and Meter Installations	6,471		445
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	11,330		1,324
341	Transportation Equipment	49,938		3,590
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	**510,906**		**15,953**

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

COMPANY NAME: East Slope Water Company

BALANCE SHEET

Acct .No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	$2,186	$1,795
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	5,600	
146	Notes/Receivables from Associated Companies	13,114	13,144
151	Plant Material and Supplies		
162	Prepayments	6,795	
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	$27,695	$14,909
	FIXED ASSETS		
101	Utility Plant in Service	$474586	$510,906
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	<361,928>	<377,881>
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	$112,658	$133,025
	TOTAL ASSETS	**$140,353**	**$147,934**

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

COMPANY NAME: East Slope Water Company

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	$6,958	$21,544
232	Notes Payable (Current Portion)	13,000	20,200
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	5,200	4,680
236	Accrued Taxes	3,271	3,276
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	373	373
	TOTAL CURRENT LIABILITIES	$28,802	$50,073
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	$122,860	$135,627
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	$	$
252	Advances in Aid of Construction	29,510	26,748
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	$29,510	$26,748
	TOTAL LIABILITIES	$181,172	$212,448
	CAPITAL ACCOUNTS		
201	Common Stock Issued	$	$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings		
218	Proprietary Capital (Sole Props and Partnerships)	(40,8190	(64,514)
	TOTAL CAPITAL		
	TOTAL LIABILITIES AND CAPITAL	**$140,353**	**$147,934**

COMPANY NAME: East Slope Water Company

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	$200,946	$204,236
460	Un-metered Water Revenue		
474	Other Water Revenues	2,444	3,646
	TOTAL REVENUES	$203,390	$207,882
	OPERATING EXPENSES		
601	Salaries and Wages	$75,334	$83,800
610	Purchased Water		
615	Purchased Power	51,567	55,973
618	Chemicals		
620	Repairs and Maintenance	7,601	5,351
621	Office Supplies and Expense	8,215	7,823
630	Outside Services	4,306	
635	Water Testing	2,240	1,005
641	Rents	2,400	2,400
650	Transportation Expenses	8,239	11,260
657	Insurance – General Liability	4,585	5,298
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	5,376	10,492
403	Depreciation Expense	20,560	15,953
408	Taxes Other Than Income	9,902	10,180
408.11	Property Taxes	5,696	12,471
409	Income Tax	6,244	(913)
	TOTAL OPERATING EXPENSES	$212,265	$221,093
	OPERATING INCOME/(LOSS)	$(8,875)	$(13,211)
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	$	$
421	Non-Utility Income	12,900	
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(12,268)	13,484
	TOTAL OTHER INCOME/(EXPENSE)	$632	
	NET INCOME/(LOSS)	**$(8,243)**	**$(26,695)**

COMPANY NAME: East Slope Water Company

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	Various	Various		
Source of Loan	Nathan Watkins	Wells Fargo Credit Line		
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	$86,535	$	$	$
Amount Outstanding	$50,545.36	$105,280.35	$	$
Date of Maturity				
Interest Rate	10%	13.5%	%	%
Current Year Interest	$856.73	$13,200.78	$	$
Current Year Principle	$	$19,965.78	$	$

Meter Deposit Balance at Test Year End $ 20,828.43

Meter Deposits Refunded During the Test Year $ 4,412.50

COMPANY NAME: East Slope Water Company	
Name of System	ADEQ Public Water System Number (if applicable) 02028

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-805786	20	80	549	8	3	1964
55-805787	20	100	560	8	3	1963
55-805788	7.5	40	620	12	2	1971
55-805789	75	300	802	10	4	1977
55-558167	3	50	160	6	N/A	1996

* 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
15	2	4	1

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
200,000	1	5,000	3
50,000	1	3,000	1
		1,000	2
		85	4

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

COMPANY NAME: East Slope Water Company	
Name of System	ADEQ Public Water System Number (if applicable) 02028

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	
3	A/C	
4	AC/PVC	
5		
6	AC/PVC	
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	738
3/4	
1	15
1 1/2	4
2	3
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

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

TREATMENT EQUIPMENT:

STRUCTURES:
Fences

OTHER:
Office Furniture, Tools, Generator, Vehicles, Air Compressor, Computers

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

COMPANY NAME: East Slope Water Company	
Name of System	ADEQ Public Water System Number (if applicable) 02028

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2007

MONTH/YEAR	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	789	7,217,050		
FEBRUARY	781	6,248,800		
MARCH	786	7,443,520		
APRIL	787	7,897,060		
MAY	784	11,601,500		
JUNE	785	10,662,610		
JULY	787	9,547,740		
AUGUST	785	8,425,150		
SEPTEMBER	786	8,001,560		
OCTOBER	785	8,892,010		
NOVEMBER	785	6,576,800		
DECEMBER	786	5,624,670		
	TOTALS →	**98,138,470**		

What is the level of arsenic for each well on your system? <.001 All wells_____mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? ____GPM for ____hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
( ) Yes (X) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?
( ) Yes (X) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?
( ) Yes (X) No

If yes, provide the GPCPD amount:_____

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

COMPANY NAME **East Slope Water Company** **YEAR ENDING 12/31/2007**

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2007 was: $ **12,470.66**

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

RECEIVED
APR 1? 2008
AZ CORP COMM
Director Utilities

VERIFICATION

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Cochise
NAME (OWNER OR OFFICIAL) TITLE Nathan Watkins Manager
COMPANY NAME East Slope Water Company

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	2007

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.

Nathan Watkins
SIGNATURE OF OWNER OR OFFICIAL

(520) 458-3209
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 10th **DAY OF**

COUNTY NAME COCHISE	
MONTH APRIL	2008

(SEAL)

OFFICIAL SEAL
GINI ARTHUR
NOTARY PUBLIC - STATE OF ARIZONA
COCHISE COUNTY
My Comm. Expires March 28 2011

Gini Arthur
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

COMPANY NAME East Slope Water Company **YEAR ENDING 12/31/2007**

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported	
Estimated or Actual Federal Tax Liability	0
State Taxable Income Reported	
Estimated or Actual State Tax Liability	45

Amount of Grossed-Up Contributions/Advances:

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

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.

Nathan Watkins	4-10-08
SIGNATURE	**DATE**
Nathan Watkins	Manager
PRINTED NAME	**TITLE**

RECEIVED

APR 1 2008

AZ CORP COMM
Director Utilities

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

VERIFICATION

STATE OF Arizona	COUNTY OF (COUNTY NAME): Cochise
I, THE UNDERSIGNED	NAME (OWNER OR OFFICIAL) TITLE: Nathan Watkins Manager
OF THE	COMPANY NAME: East Slope Water Company

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

FOR THE YEAR ENDING	MONTH	DAY	YEAR
	12	31	2007

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 2007 WAS:

Arizona Intrastate Gross Operating Revenues Only ($)
$ 220,558.

(THE AMOUNT IN BOX ABOVE INCLUDES $ 12,677 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)**

Nath Watk
SIGNATURE OF OWNER OR OFFICIAL

(520) 458-3209
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

COUNTY NAME Cochise	
MONTH APRIL	2008

THIS 10th DAY OF

(SEAL)

OFFICIAL SEAL
GINI ARTHUR
NOTARY PUBLIC - STATE OF ARIZONA
COCHISE COUNTY
My Comm. Expires March 28 2011

Gini Arthur
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES

VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only

RECEIVED
APR 1 7 2008
AZ CORP COMM
Director Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) Cochise	
NAME (OWNER OR OFFICIAL) Nathan Watkins	TITLE Manager
COMPANY NAME East Slope Water Company	

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

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2007

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 2007 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
$ 220,558

THE AMOUNT IN BOX AT LEFT INCLUDES $ 12,677 IN SALES TAXES BILLED, OR COLLECTED)

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

Nath Watk
SIGNATURE OF OWNER OR OFFICIAL

520-458-3209
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 10th **DAY OF**

NOTARY PUBLIC NAME GINI ARTHUR	
COUNTY NAME COCHISE	
MONTH APRIL	2008

(SEAL)

MY COMMISSION EXPIRES

OFFICIAL SEAL
GINI ARTHUR
NOTARY PUBLIC - STATE OF ARIZONA
COCHISE COUNTY
My Comm. Expires March 28 2011

Gini Arthur
SIGNATURE OF NOTARY PUBLIC