ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

F

08-10-08A11:45 RCVD

W-02042A
Fools Hollow Water Company
P.O. Box 484
Show Low, AZ 85902

ANNUAL REPORT

FOR YEAR ENDING

12	31	2007

FOR COMMISSION USE

ANN 04	07

PROCESSED BY:
8-22-08

SCANNED

COMPANY INFORMATION

Company Name (Business Name) _____Fools Hollow Water Company, Inc._____

Mailing Address __P.O. Box 484_____
(Street)

____**Show Low**_____**AZ**_____**85901**_____
(City) (State) (Zip)

___928-537-1114_____928-537-5060_____
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address___**vmac@citlink.net**_____

Local Office Mailing Address ___**Same as above**_____
(Street)

_____
(City) (State) (Zip)

_____
Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

Management Contact:__ **Victoria McCarty**_____**President/CEO**
(Name) (Title)

_____**P.O. Box 484**_____**Show Low**_____**AZ** _____**85902**
(Street) (City) (State) (Zip)

928-537-1114 **928-537-5060**
Telephone No. (Include Area Code) Fax No. (Include Area Code) Cell No. (Include Area Code)

Email Address__**vmac@citlink.net**_____

On Site Manager:__**Same as above**_____
(Name)

_____
(Street) (City) (State) (Zip)

_____
Telephone No. (Include Area Code) Fax No. (Include Area Code) 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: Victoria McCarty
(Name)

1500 W. Deuce of Clubs (Street) | Show Low (City) | AZ (State) | 85901 (Zip)

928-537-1114 Telephone No. (Include Area Code) | 928-537-5060 Fax No. (Include Area Code | Cell No. (Include Area Code)

Attorney: Grant & Vaughn, PC
(Name)

6225 N. 24th Street/Suite 125 (Street) | Phoenix (City) | AZ (State) | 85901 (Zip)

602-393-4322 Telephone No. (Include Area Code) | 602-393-4327 Fax No. (Include Area Code) | 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.**

OWNERSHIP INFORMATION

Check the following box that applies to your company:

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

COUNTIES SERVED

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

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

COMPANY NAME	Fools Hollow Water Company, INC.

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	10,214	0	10,214
304	Structures and Improvements	4,578	3,801	777
307	Wells and Springs	22,431	14,865	7,566
311	Pumping Equipment	11,834	11,834	0
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	59,170	25,850	33,320
331	Transmission and Distribution Mains	246,771	53,270	193,501
333	Services	6,390	6,117	273
334	Meters and Meter Installations	16,413	15,824	589
335	Hydrants	8,085	688	7,397
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	3,340	223	3,117
340	Office Furniture and Equipment	4,963	2,366	2,597
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	394,189	134,838	259,351

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

COMPANY NAME	Fools Hollow Water Company, INC.

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	10,214	0	0
304	Structures and Improvements	4,578	2.45	112
307	Wells and Springs	22,431	2.97	666
311	Pumping Equipment	11,834	5.05	0
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	59,170	1.80	1,065
331	Transmission and Distribution Mains	246,771	2.20	5,429
333	Services	6,390	2.96	189
334	Meters and Meter Installations	16,413	3.82	627
335	Hydrants	8,085	1.94	157
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	3,340	6.68	223
340	Office Furniture and Equipment	4,963	5.14	255
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	394,189		8,723

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

COMPANY NAME	Fools Hollow Water Company, INC.

BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	$26,989	$31,063
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	2,919	8,930
146	Notes/Receivables from Associated Companies	0	
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	$29,908	$39,993
	FIXED ASSETS		
101	Utility Plant in Service	$308,565	$394,189
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(126,115)	(134,838)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	$182,450	$259,351
	TOTAL ASSETS	**$212,358**	**$299,344**

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

COMPANY NAME	Fools Hollow Water Company, INC.

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	$452	$482
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	19,184	18,152
236	Accrued Taxes	542	631
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	$20,178	$19,265
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	$0	$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt		$
252	Advances in Aid of Construction	65,449	131,170
255	Accumulated Deferred Investment Tax Credits	3,506	3,506
271	Contributions in Aid of Construction	(1,346)	10,250
272	Less: Amortization of Contributions		(226)
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	$67,609	$144,700
	TOTAL LIABILITIES	$87,787	$163,965
	CAPITAL ACCOUNTS		
201	Common Stock Issued	$12,400	$12,400
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	112,171	122,979
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	$124,571	$135,379
	TOTAL LIABILITIES AND CAPITAL	**$212,358**	**$299,344**

COMPANY NAME	Fools Hollow Water Company, INC.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	$136,311	$132,793
460	Unmetered Water Revenue		
474	Other Water Revenues	5,527	3,069
	TOTAL REVENUES	$141,838	$135,862
	OPERATING EXPENSES		
601	Salaries and Wages	$	$
610	Purchased Water		
615	Purchased Power	8,873	7,670
618	Chemicals		
620	Repairs and Maintenance	10,392	12,756
621	Office Supplies and Expense	10,769	6,795
630	Outside Services	37,992	59,650
635	Water Testing	379	1,324
641	Rents	12,321	12,285
650	Transportation Expenses	2,197	2,332
657	Insurance – General Liability	564	
659	Insurance - Health and Life	2,099	2,177
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense		(226)
403	Depreciation Expense	6,884	8,723
408	Taxes Other Than Income	10,214	10,162
408.11	Property Taxes	5,181	7,613
409	Income Tax		
	TOTAL OPERATING EXPENSES	$107,865	$131,261
	OPERATING INCOME/(LOSS)	$33,973	$4,601
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	$702	$405
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(77)	(11)
	TOTAL OTHER INCOME/(EXPENSE)	$625	$394
	NET INCOME/(LOSS)	**$34,598**	**$4,995**

COMPANY NAME	Fools Hollow Water Company, INC.

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 $16,552

Meter Deposits Refunded During the Test Year $ 2,882

COMPANY NAME	Fools Hollow Water Company, INC.
Name of System:	ADEQ Public Water System Number: 09-011

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-628643	40	150	520'	8"	2"	1977

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

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

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
None		13	

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
300,000 gallons	1	None	

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

COMPANY NAME	Fools Hollow Water Company, INC.
Name of System:	ADEQ Public Water System Number: 09-011

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	Plastic	1,505
3	Plastic	145
4	Plastic	10,095
5		
6	Plastic	20,684
8	Plastic	4,782
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X ¾	355
3/4	3
1	2
1 1/2	
2	1
Comp. 3	1
Turbo 3	1
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:
_____None_____

STRUCTURES:
___One_(10)_Well_House_____

OTHER:
___N/A_____

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

COMPANY NAME: Fools Hollow Water Company, INC.	
Name of System:	ADEQ Public Water System Number: 09-011

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	317	1,085	1,185	0
FEBRUARY	317	934	1,020	0
MARCH	320	1,287	1,404	0
APRIL	322	1,364	1,486	0
MAY	338	2,652	2,875	0
JUNE	336	3,278	3,541	0
JULY	342	2,780	3,006	0
AUGUST	344	2,575	2,802	0
SEPTEMBER	345	2,028	2,196	0
OCTOBER	340	1,892	2,058	0
NOVEMBER	335	1,205	1,312	0
DECEMBER	328	1,227	1,336	0
	TOTALS →	**22,308**	**24,221**	0

What is the level of arsenic for each well on your system? _<.003____mg/l
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? _1000_GPM for __2_hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?
( ) Yes ( ) No System is not chlorinated

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____Fools Hollow Water Company, INC._____YEAR ENDING 12/31/2007

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2007 was: $_**4,698.78**_____

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._____

_____

_____

_____

_____

2006 PROPERTY TAX NOTICE — Navajo County — ARIZONA

PARCEL #	AREA CODE	PRIMARY TAX RATE PER $100 ASSESSED VALUE	SECONDARY TAX RATE PER $100 ASSESSED VALUE	IRRIGATION DISTRICT $ PER ACRE
937-51-020 7	1020	5.9623	3.6610	

ASSESSMENT

	VALUE IN DOLLARS	ASSMT %	ASSESSED VALUE	EXEMPTIONS	TAX RATE	NET ASSESSED
PRIMARY LAND, BLDGS, ETC	5,143	24.5	1,260	0	5.9623	75.14
PRIMARY PERSONAL PROPERTY	219,857	24.5	53,865	0	5.9623	3,211.60
PRIMARY TOTALS	225,000		55,125	0		3,286.74
SECONDARY LAND	1,000	24.5	245	0	3.6610	8.97
SECONDARY BLDGS, ETC	4,143	24.5	1,015	0	3.6610	37.17
SEC. PERSONAL PROPERTY	219,857	24.5	53,865	0	3.3610	1,810.42
SECONDARY TOTALS	225,000		55,125	0		1,856.56

2006 TAX SUMMARY

PRIMARY PROPERTY TAX	3,286.74
LESS STATE AID TO EDUCATION	0.00
NET PRIMARY PROPERTY TAX	3,286.74
SECONDARY PROPERTY TAX	1,856.56
SPECIAL DISTRICT TAX	0.00
TOTAL TAX DUE FOR 2006	5,143.30

ACREAGE: .29

0080308

SITUS ADDRESS:
NULL

LEGAL DESCRIPTION:

TOTAL VALUE OF OPERATING PROPERTY
209-29-035 500 209-43-
142 500

	JURISDICTION	2006 TAXES	2005 TAXES
02000	Navajo County	343.39	331.11
07010	Show Low SD #10	2,673.24	2,638.46
08150	North-Pio College	819.05	794.20
11204	Show Low FD	1,042.85	975.56
11900	Fire Dist Asst Fund	55.14	52.25
13002	Show Low SLID	48.01	50.53
14900	Nav Co Library Dist	22.06	15.68
15728	Navajo County FCD	3.79	3.66
29999	Pub Health Svcs Dist	108.21	102.56
30000	Northern Arizona VIT	27.56	26.14
02001	County School Equal	0.00	227.71
	TOTALS	5,143.30	5,217.86

This is the only notice you will receive.

Manny Hernandez
Navajo County Treasurer
PO Box 668
Holbrook AZ 86025-0668

THIS IS A CALENDAR YEAR TAX NOTICE

937-51-020 7
0018179 01 AV 0.293 **AUTO T4 0 0792 85902-048484

FOOLS HOLLOW WATER CO
JAMES D MCCARTY/PRES
P O BOX 484
SHOW LOW AZ 85902-0484

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

PLEASE INCLUDE YOUR **PARCEL NUMBER** ON YOUR CHECK.

PAYMENT INSTRUCTIONS

To pay the 1st half installment, send the 1st half coupon with your payment postmarked no later than Nov. 1, 2006. To pay the 2nd half installment, send the 2nd half coupon with your payment postmarked no later than May 1, 2007. To pay taxes for the full year if the entire amount billed exceeds $100, send the 1st half coupon with your payment postmarked no later than Dec. 31, 2006. Delinquent interest will be waived.

Make your check payable to and mail to:

Manny Hernandez
Navajo County Treasurer
PO Box 668
Holbrook AZ 86025-0668

FOOLS HOLLOW WATER CO., INC.
P.O. BOX 484
SHOW LOW, AZ 85902
PH. 928-537-1114

THE STOCKMEN'S BANK
SHOW LOW BRANCH
240 S. WHITE MOUNTAIN ROAD
SHOW LOW, AZ 85901

1728

91-504-1229

4/30/2007

PAY TO THE ORDER OF Navajo County Treasurer

$ **2,571.65

Two Thousand Five Hundred Seventy-One and 65/100********** DOLLARS

Navajo County Treasurer
P.O. Box 868
Holbrook, AZ 86025

MEMO
937-51-020

Victoria McCarty

⑈001728⑈ ⑆122105045⑆ 2901001319⑈ ⑈0000257165⑈

Processed 05/04/07 $2571.65 Ch# 1728

2007 PROPERTY TAX NOTICE

Navajo County

ARIZONA

PARCEL #	AREA CODE	PRIMARY TAX RATE PER $100 ASSESSED VALUE	SECONDARY TAX RATE PER $100 ASSESSED VALUE	IRRIGATION DISTRICT $ PER ACRE
937-51-020 7	1020	4.7516	4.3772	

ASSESSMENT	VALUE IN DOLLARS	ASSMT %	ASSESSED VALUE	EXEMPTIONS	TAX RATE	TAX
LIMITED LAND, BLDGS, ETC	4,912	24.0	1,179	0	4.7516	56.03
LIMITED PERSONAL PROPERTY	232,088	24.0	55,701	0	4.7516	2,646.69
LIMITED TOTALS	237,000		56,880	0		2,702.72
FULL CASH LAND	1,000	24.0	240	0	4.3772	10.52
FULL CASH BUILDINGS, ETC	3,912	24.0	939	0	4.3772	41.10
FULL CASH PERSONAL PROPERTY	232,088	24.0	55,701	0	2.6928	1,499.92
FULL CASH TOTALS	237,000		56,880	0		1,551.54

ACREAGE: .29

0082657

SITUS ADDRESS:
NULL

LEGAL DESCRIPTION:

TOTAL VALUE OF OPERATING PROPERTY
209-29-035 500 209-43-
142 500

This is the only notice you will receive.

Manny Hernandez
Navajo County Treasurer
PO Box 668
Holbrook AZ 86025-0668

THIS IS A CALENDAR YEAR TAX NOTICE

2007 TAX SUMMARY

PRIMARY PROPERTY TAX	2,702.72
LESS STATE AID TO EDUCATION	0.00
NET PRIMARY PROPERTY TAX	2,702.72
SECONDARY PROPERTY TAX	1,551.54
SPECIAL DISTRICT TAX	0.00
TOTAL TAX DUE FOR 2007	4,254.26

JURISDICTION		2006 TAXES	2007 TAXES
02000	NAVAJO COUNTY	343.39	343.62
07010	SHOW LOW SD #10	2,673.24	1,678.25
08150	NORTHLAND PIONEER CO	819.05	808.04
11204	SHOW LOW FD	1,042.85	1,146.25
11900	FIRE DISTRICT ASSIST	55.14	56.88
13002	CITY OF SHOWLOW SLID	48.01	49.15
14900	NAVAJO COUNTY LIBRAR	22.06	28.44
15728	NAVAJO COUNTY FCD	3.79	3.54
29999	PUBLIC HEALTH SERVIC	108.21	111.65
30000	NORTHERN ARIZONA VIT	27.56	28.44
	TOTALS	5,143.30	4,254.26

FH
Operating Property

937-51-020 7
0026399 01 AV 0.312 **AUTO T2 0 0792 85902-048484

PAGE 01 OF 01

FOOLS HOLLOW WATER CO
JAMES D MCCARTY/PRES
P O BOX 484
SHOW LOW AZ 85902-0484

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

PLEASE INCLUDE YOUR PARCEL NUMBER ON YOUR CHECK.

PAYMENT INSTRUCTIONS

To pay the 1st half installment and tax notices under $100, send the 1st half coupon with your payment postmarked no later than Nov. 1, 2007. To pay the 2nd half installment, send the 2nd half coupon with your payment postmarked no later than May 1, 2008. To pay taxes for the full year if the entire amount billed per notice exceeds $100, send the 1st half coupon with your payment postmarked no later than Dec. 31, 2007. Delinquent interest will be waived.

Make your check payable to and mail to:

Manny Hernandez
Navajo County Treasurer
PO Box 668
Holbrook AZ 86025-0668

DEPOSIT

FOOLS HOLLOW WATER CO., INC.
P.O. BOX 484 PH: 928-537-1114
SHOW LOW, AZ 85902

⑆122105045⑆ 2901001319⑈ 05 ⑈0000005000⑈

Processed 11/27/07 $50.00

TOTAL ITEMS

PLEASE BE SURE ALL ITEMS ARE PROPERLY ENDORSED

74.02

⑈0000750 2⑈

Fools Hollow Water Co., Inc.
P.O. Box 484
Show Low, AZ 85902
(928) 537-1114

NATIONAL BANK OF ARIZONA
SHOW LOW, ARIZONA
91-522/1221

1833

10/31/2007

PAY TO THE ORDER OF Navajo County Treasurer $ **2,127.13

Two Thousand One Hundred Twenty-Seven and 13/100********** DOLLARS

Navajo County Treasurer
P.O. Box 668
Holbrook, AZ 86025

Victoria McCarty

937-61-020

⑈001833⑈ ⑆122105320⑆ 2901001319⑈ ⑈0000212713⑈

Processed 11/07/07 $2127.13 Ch# 1833

1834

11/1/2007

**674.43

********** DOLLARS

Water

VERIFICATION
AND
SWORN STATEMENT
Taxes

VERIFICATION

STATE OF __Arizona	COUNTY OF (COUNTY NAME) Navajo
I, THE UNDERSIGNED	NAME (OWNER OR OFFICIAL) TITLE Victoria McCarty, President/CEO
OF THE	COMPANY NAME Fools Hollow Water Company, Inc.

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.

OFFICIAL SEAL
BECKY L. MCCULLOUGH
Notary Public - State of Arizona
NAVAJO COUNTY
My Comm. Expires April 30, 2011

Victoria McCarty
SIGNATURE OF OWNER OR OFFICIAL

928-537-1114
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

COUNTY NAME	
Navajo	
MONTH August	2008

THIS 15 DAY OF

(SEAL)

Becky L McCullough
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES April 30, 2011

COMPANY NAME Fools Hollow Water Company, Inc. **YEAR ENDING 12/31/2007**

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.

Victoria McCarty — **SIGNATURE**

8/15/08 — **DATE**

Victoria McCarty — **PRINTED NAME**

President/CEO — **TITLE**

VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only

VERIFICATION

STATE OF	COUNTY OF (COUNTY NAME): Navajo
I, THE UNDERSIGNED	NAME (OWNER OR OFFICIAL) TITLE: Victoria McCarty, President/CEO
OF THE	COMPANY NAME: Fools Hollow Water Company, Inc.

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 ($)
$ 135,862.00

(THE AMOUNT IN BOX ABOVE INCLUDES $ 10,161.71 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)**

Victoria McCarty
SIGNATURE OF OWNER OR OFFICIAL

928-537-1114
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF Navajo

THIS 15 DAY OF August 2008

(SEAL)

OFFICIAL SEAL
BECKY L. MCCULLOUGH
Notary Public - State of Arizona
NAVAJO COUNTY
My Comm. Expires April 30, 2011

MY COMMISSION EXPIRES

Becky L McCullough
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) Navajo	
NAME (OWNER OR OFFICIAL) Victoria McCarty	President/CEO
COMPANY NAME Fools Hollow Water Company, Inc.	

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
$ 120,761.59

THE AMOUNT IN BOX AT LEFT INCLUDES $ 9048.74 IN SALES TAXES BILLED, OR COLLECTED)

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

Victoria McCarty
SIGNATURE OF OWNER OR OFFICIAL

928-537-1114
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 15 **DAY OF**

NOTARY PUBLIC NAME Becky L. McCullough	
COUNTY NAME Navajo	
MONTH August	20 08

(SEAL)

OFFICIAL SEAL
BECKY L. MCCULLOUGH
Notary Public - State of Arizona
NAVAJO COUNTY
My Comm. Expires April 30, 2011

MY COMMISSION EXPIRES

X Becky L. McCullough
SIGNATURE OF NOTARY PUBLIC