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June 23, 2022

VIA Electronic Filing to the Office of Commission Clerk
Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20220063-WS - Application for transfer of water and wastewater facilities of Tradewinds Utilities, Inc., water Certificate No. 405-W, and wastewater Certificate No. 342-S to CSWR-Florida Utility Operating Company, LLC, in Marion County.

Dear Commission Clerk:

With this cover letter, Applicant CSWR-Florida Utility Operating Company, LLC ("CSWR-Florida UOC") files a redacted copy of the 2020 and 2021 consolidated financial statements of CSWR, LLC and its subsidiaries. These updated consolidated financial statements are submitted to supplement Exhibit D to the Application and in response to discovery requests for the same from the Office of Public Counsel. An unredacted and highlighted copy will be hand delivered to the Clerk's office along with a related Request for Confidential Classification. Thank you for your continued assistance with this docket.

Sincerely,
/s/ Thomas A. Crabb
Thomas A. Crabb
Susan F. Clark
Attorneys for CSWR-Florida UOC

cc: Mary Wessling, Esq., Office of Public Counsel (wessling.mary@leg.state.fl.us)
Charles deMenzes (charlie@altfo.com)

CSWR, LLC and Subsidiaries

Consolidated Financial Statements

December 31, 2021 and 2020

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RSM

Independent Auditor's Report

RSM US LLP

Board of Directors
CSWR, LLC and Subsidiaries

Report on the Audit of the Financial Statements Opinion

We have audited the consolidated financial statements of CSWR, LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the related consolidated statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet as of December 31, 2021, and the related consolidating statement of operations for the year then ended is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

St. Louis, Missouri
March 31, 2022

CSWR, LLC and Subsidiaries
As of December 31, 2021 and 2020

Consolidated Balance Sheets

	2021	2020
Current Assets	[redacted]	
Cash		
Accounts Receivable, Net		
Other Current Assets		
Total Current Assets		
Property, Plant and Equipment, Net		
Non-Current Assets		
Preliminary Survey and Investigation		
Other Long-Term Assets		
Total Non-Current Assets		
Goodwill		
Intangible Assets		
Total Assets		
Current Liabilities		
Accounts Payable		
Notes Payable - Current		
Other Current Liabilities		
Total Current Liabilities		
Long-Term Liabilities		
Notes Payable, Net of Current Portion		
Contributions in Aid of Construction		
Other Long-Term Liabilities		
Total Long-Term Liabilities		
Commitments and Contingencies (See Note 10)		
Member's Equity		
Paid-In Capital		
Retained Deficit		
Total Member's Equity		
Total Liabilities and Member's Equity		

See notes to consolidated financial statements

CSWR, LLC and Subsidiaries

For the years ended December 31, 2021 and 2020

Consolidated Statements of Operations

	2021	*2020*
Operating Revenue	[redacted]	
Operating Revenue		
Operating Expense		
Operations and Maintenance		
General and Administrative		
Depreciation and Amortization		
Total Operating Expense		
Operating Loss		
Other Expense		
Interest		
Total Other Expense		
Net Loss		

See notes to consolidated financial statements

CSWR, LLC and Subsidiaries
For the years ended December 31, 2021 and 2020

Consolidated Statements of Member's Equity

	Paid-In Capital	Retained Deficit	Total Member's Equity
Balance at December 31, 2019	[redacted]		
Capital Contributions			
Net Loss			
Balance at December 31, 2020			
Capital Contributions			
Net Loss			
Balance at December 31, 2021			

See notes to consolidated financial statements

CSWR, LLC and Subsidiaries

For the years ended December 31, 2021 and 2020

Consolidated Statements of Cash Flows

	2021	*2020*
Cash Flows from Operating Activities	[redacted]	[redacted]
Net Loss		
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization		
Amortization of deferred financing costs to interest expense		
Loss on disposal of preliminary survey and investigation expense		
Loss on disposal of property, plant and equipment		
Interest capitalized to notes payable		
Interest capitalized to deferred financing costs		
Change in assets (increase) decrease		
Accounts receivable, net		
Other current assets		
Other long-term assets		
Change in liabilities - increase (decrease)		
Current liabilities		
Other long-term liabilities		
Net cash used in Operating Activities		
Cash Flows from Investing Activities		
Purchase of property, plant and equipment		
Acquisition of preliminary survey and investigation		
Net cash used in Investing Activities		
Cash Flows from Financing Activities		
Payments on notes payable		
Contributions in aid of construction		
Capital contributions		
Net cash provided by Financing Activities		
Net Increase in Cash		
Cash, Beginning of Period		
Cash, End of Period		

See notes to consolidated financial statements

NOTE 01: NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CSWR, LLC ("CSWR") and its wholly owned subsidiaries, Missouri Central States Water Resources, LLC ("Missouri Central States"), Arkansas Central States Water Resources, LLC ("Arkansas Central States"), Kentucky Central States Water Resources, LLC ("Kentucky Central States"), Texas Central States Water Resources, LLC ("Texas Central States"), Louisiana Central States Water Resources, LLC ("Louisiana Central States"), Arizona Central States Water Resources, LLC ("Arizona Central States"), North Carolina Central States Water Resources, LLC ("North Carolina Central States"), Mississippi Central States Water Resources, LLC ("Mississippi Central States") and Tennessee Central States Water Resources, LLC ("Tennessee Central States"), collectively "the Company".

The accounts of Missouri Central States' wholly owned subsidiaries are included. Those subsidiaries are: Hillcrest Utility Holding Company, Inc. ("Hillcrest"), Raccoon Creek Utility Holding Company, Inc. ("Raccoon Creek"), Indian Hills Utility Holding Company, Inc. ("Indian Hills"), Elm Hills Utility Holding Company, Inc. ("Elm Hills"), Confluence Rivers Utility Holding Company, Inc. ("Confluence Rivers") and Osage Utility Holding Company, Inc. ("Osage"), which in turn each own operating subsidiaries that carry out day-to-day operations of the Company.

The accounts of Arkansas Central States' wholly owned subsidiaries are also included. Those subsidiaries are: Hayden's Place Utility Holding Company, LLC ("Hayden's Place"), St. Joseph's Glen Utility Holding Company, LLC ("St. Joseph's Glen"), Sebastian Lake Utility Holding Company, LLC ("Sebastian Lake"), Eagle Ridge Utility Holding Company, LLC ("Eagle Ridge"), Flushing Meadows Utility Operating Company, LLC ("Flushing Meadows") and Oak Hill Utility Holding Company, LLC ("Oak Hill"), which in turn each own operating subsidiaries that carry out day-to-day operations of the Company.

The accounts of Kentucky Central States' wholly owned subsidiary, Bluegrass Water Utility Holding Company, LLC ("Bluegrass") are included. Bluegrass owns an operating subsidiary that carries out the day-to-day operations of the Company.

The accounts of Texas Central States' wholly owned subsidiary, CSWR-Texas Utility Holding Company, LLC ("CSWR-Texas") are included. CSWR-Texas owns an operating subsidiary that carries out the day-to-day operations of the Company.

The accounts of Louisiana Central States' wholly owned subsidiary, Magnolia Water Utility Holding Company, LLC ("Magnolia") are included. Magnolia owns an operating subsidiary that carries out the day-to-day operations of the Company.

The accounts of Arizona Central States' wholly owned subsidiary, Cactus State Water Utility Holding Company, LLC ("Cactus State") are included. Cactus State owns an operating subsidiary that carries out the day-to-day operations of the Company.

The accounts of North Carolina Central States' wholly owned subsidiary, Red Bird Water Utility Holding Company, LLC ("Red Bird") are included. Red Bird owns an operating subsidiary that carries out the day-to-day operations of the Company.

NOTE 01: NATURE OF OPERATIONS AND BASIS OF PRESENTATION (continued)

The accounts of Mississippi Central States' wholly owned subsidiary, Great River Utility Holding Company, LLC ("Great River") are included. Great River owns an operating subsidiary that carries out the day-to-day operations of the Company.

The accounts of Tennessee Central States' wholly owned subsidiary, Limestone Water Utility Holding Company, LLC ("Limestone") are included. Limestone owns an operating subsidiary that carries out the day-to-day operations of the Company.

The Company has additional, inactive subsidiaries which, while included in the Company's financial statements, are immaterial to the consolidated financial results.

All significant inter-company transactions and account balances have been eliminated in consolidation.

Nature of Operations and Acquisition

The Company is a private water and wastewater utility company. The Company's primary purpose, through its subsidiaries, is to establish and maintain compliant water and wastewater treatment facilities for underserved communities and private facility owners by creating economically viable options compliant with the Clean Water Act and the Safe Drinking Water Act. The Company holds certificates of public convenience and necessity granted by the Missouri Public Service Commission, ("Missouri PSC"), under which the Company provides water and wastewater services in Missouri. In the state of Kentucky, the Company holds certificates of public convenience and necessity granted by the Kentucky Public Service Commission, ("Kentucky PSC"), under which the Company provides water and wastewater services in Kentucky. In the state of Texas, the Company holds certificates of public convenience and necessity granted by the Public Utility Commission of Texas, ("Texas PUCT"), under which the Company provides water and wastewater services in Texas. In the state of Louisiana, the Company has been granted authority to operate water and wastewater systems by the Louisiana Public Service Commission, ("Louisiana PSC"). In the state of Arizona, the Company holds certificates of public convenience and necessity granted by the Arizona Corporation Commission, ("Arizona ACC"), under which the Company provides water and wastewater services in Arizona. In the state of North Carolina, the Company holds certificates of public convenience and necessity granted by the North Carolina Public Service Commission, ("North Carolina PSC"), under which the Company provides water services in North Carolina. In the state of Mississippi, the Company holds certificates of public convenience and necessity granted by the Mississippi Public Service Commission, ("Mississippi PSC"), under which the Company provides water and wastewater services in Mississippi. In the state of Tennessee, the Company holds certificates of public convenience and necessity granted by the Tennessee Public Service Commission, ("Tennessee PSC"), under which the Company provides water and wastewater services in Tennessee. The Company also provides water and wastewater services in Arkansas; however, Arkansas Central States' subsidiaries are currently under the water and sewer revenue threshold that requires rate regulation from the Arkansas Public Service Commission, ("Arkansas PSC").

The Company is a wholly owned subsidiary of US Water Systems, LLC. (the "Parent").

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company's policy is to prepare its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Company also maintains its accounts in accordance with the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners as modified and adopted by the regulatory commissions in the states where it operates. The Company also applies the accounting guidance for regulated operations.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Recognition of Revenue

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") 606. Under ASC 606, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration which the Company expects to be entitled to receive in exchange for goods or services. Under the standard, a contract's transaction price is allocated to each distinct performance obligation. For contracts within the scope of ASC 606, the Company recognizes revenue through the following steps: 1) identifies the contract with a customer; 2) identifies the performance obligations within the contract; 3) determines the transaction price; 4) allocates the transaction price to the performance obligations in the contract; and 5) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elects to apply the significant financing component practical expedient, and no amount of consideration has been allocated as a financing component.

The Company's revenue is generated from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and wastewater services, as the promise to transfer the individual service is not separately identifiable from other promises within the contract and is not distinct. Revenue is recognized over time, as water and sewer services are provided, and includes amounts billed to customers on a cycle basis and unbilled amounts based on one month of service. The amounts the Company has a right to invoice are determined by a periodic flat fee, metered usage or both where applicable, indicating that the invoice amount corresponds directly to the value transferred to the customer. The Company elects to use the right to invoice and the disclosure of remaining performance obligations practical expedients for these revenues.

Income Taxes

CSWR, LLC has elected to be treated as a partnership for federal income tax purposes and does not record income taxes. Instead, its taxable earnings and losses are allocated in accordance with the Operating

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Agreement and are included in the income tax returns of the member. Accordingly, no provision is made for federal and state income taxes in the consolidated financial statements. The Company's subsidiaries have elected to be treated as "C" Corporations. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due, plus deferred taxes related primarily to net operating loss timing differences.

The Company and subsidiaries have assessed their federal and state tax positions and determined there were no uncertainties or possible related effects that need to be recorded as of or for the periods ended December 31, 2021 and 2020.

The federal and state income tax returns of the Company for the years ended December 31, 2021 and 2020 are subject to examination by the respective taxing authorities, generally for three years after they were filed.

Fair Value of Financial Instruments
In accordance with ASC 820, the carrying value of cash and cash equivalents, accounts receivable, accounts payable and notes payable approximates fair value. There are no assets and liabilities that are measured and recognized at fair value as of December 31, 2021 and 2020, on a recurring basis.

Accounts Receivable
Accounts receivable includes utility customer accounts receivable, which represent amounts billed to water and wastewater customers on a cycle basis. Accounts receivable also includes unbilled revenue for services provided but not yet billed to customers. Credit is extended based on the guidelines of the applicable state regulatory body and collateral is generally not required.

The Company provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable. This estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. The allowance at December 31, 2021 and 2020 was [redacted] and [redacted], respectively.

Property, Plant and Equipment
Property, plant and equipment is generally stated at cost. Major additions and improvements are capitalized and, where rate regulated, placed in service subject to review and revaluation by the applicable state regulatory body, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the period of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated lives for computing depreciation on property, plant and equipment are:

Utility Plant in Service - Sewer	10-50 Years
Utility Plant in Service - Water	10-50 Years
Furniture, Fixtures, and Other	7-20 Years

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Preliminary Survey and Investigation Charges

The Company capitalizes all expenditures for preliminary surveys, plans, investigations and other expenditures made for the purpose of determining the feasibility of the acquisition of system assets. When the acquisition of system assets occurs, these costs are reclassified to the appropriate utility plant account. If the initiative is abandoned, the costs are expensed in the period in which Management makes the determination.

Regulation

The Company's Missouri, Kentucky, Texas, Louisiana, Mississippi, Tennessee, Arizona and North Carolina utilities are subject to economic regulation by the respective PSCs. The Missouri PSC, Kentucky PSC, Texas PUC, Louisiana PSC, Mississippi PSC, Tennessee PSC, Arizona ACC and North Carolina PSC generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. The Missouri PSC approved a rate increase April 8, 2020 with an effective date of July 1, 2020 for Confluence Rivers and a rate increase December 30, 2020 with an effective date of January 29, 2021 for Elm Hills. The Kentucky PSC approved a rate increase August 2, 2021 with an effective date of August 1, 2021 for Bluegrass. The Louisiana PSC approved a rate increase November 2, 2021 with an effective date of December 1, 2021 for Magnolia. Regulators may also impose certain penalties or grant certain incentives.

Due to timing and other differences in the collection of utility revenue, an incurred cost that would otherwise be charged to expense by a non-regulated entity is (at the direction of the state PSC) to be deferred as a regulatory asset if it is probable that the cost is recoverable in future rates. Conversely, GAAP requires the recording of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future or amounts collected in excess of costs incurred and refundable to customers. The Company had a regulatory asset of [redacted] with accumulated amortization of [redacted] and [redacted] at December 31, 2021 and 2020, respectively. Amortization expense for each of the periods ended December 31, 2021 and 2020 was [redacted]. This amount is recorded as Other Current Assets on the Company's consolidated balance sheet as of December 31, 2021 and was recorded as Other Long-Term Assets at December 31, 2020. As part of the Company's acquisitions in Arizona, through its Cactus State subsidiary, the Arizona ACC authorized the recording of deferred debits, a form of regulatory asset, totaling [redacted]. These amounts are recorded as Other Long-Term Assets on the consolidated balance sheet. As a provision of the Company's 2021 Louisiana rate case proceeding through its Magnolia subsidiary, the Louisiana PSC approved a regulatory asset be recorded for the net operating losses realized on systems acquired in Louisiana after December 31, 2020. As of December 31, 2021, the amount of this regulatory asset was [redacted] and is recorded as Other Long-Term Assets on the consolidated balance sheet. During the period ended December 31, 2021 the company recorded amounts that management believes are likely to be recognized as regulatory assets recoverable in rates during future periods. These amounts are recorded as Other Long-Term Assets on the consolidated balance sheet and totaled [redacted] at December 31, 2021.

The Company's net regulatory liability for removal costs recoverable through rates at December 31, 2021 and 2020 was [redacted] and [redacted] respectively. Salvage expense of the liability for removal costs was [redacted] for each of the periods ended December 31, 2021 and 2020. These liabilities are included in Property, Plant and Equipment, Net as a subset of accumulated depreciation.

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions in Aid of Construction
Regulated utilities may receive advances for construction and/or contributions in aid of construction from customers, home builders, real estate developers, home-owners associations, etc., to fund construction necessary to extend or enhance services or operating facilities to new areas. Advances that are no longer refundable are reclassified as contributions of capital. Contributions are permanent collections of plant assets or cash for a specific capital construction project. For tariff ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds. Generally, the Company depreciates utility plants funded by contributions and amortizes its contributions balance as a reduction to depreciation and amortization expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. Amortization of contributions in aid of construction was [redacted] and [redacted] for the periods ended December 31, 2021 and December 31, 2020, respectively.

Goodwill and Other Intangible Assets
Included in the Company's financials are goodwill and intangible assets which are the result of pushdown accounting from its parent. Goodwill arising from business combinations is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected December 31 as the date to perform the annual impairment test. The Company has recognized no impairment losses to date. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill, the Trade Name and Certificate of Convenience and Necessity have an indefinite life on the consolidated balance sheets. There are no intangible assets with a definite life on the consolidated balance sheets.

Impairment of Long-Lived Assets
Long-lived assets of the Company, which consist primarily of property, plant and equipment, intangible assets and regulatory assets are reviewed for impairment when changes in circumstances or events occur. These circumstances or events could include a decline in the market value or physical condition of a long-lived asset, an adverse change in the way long-lived assets are used, changes in macroeconomic conditions, industry and market conditions, or overall financial performance. In the case of regulatory assets, this could include regulatory disallowances or abandonments. When these circumstances or events occur, the Company determines whether it is more likely than not that the fair value of those assets is less than their carrying amount. If the Company determines this to be likely, an impairment charge would be recognized. During the periods ended December 31, 2021 and 2020, no impairment charges were recognized.

New Accounting Pronouncements
In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases, which amends the existing guidance on accounting for leases, and is effective for fiscal years beginning after December 15, 2021 for entities other than public business entities. This ASU requires the recognition of lease assets and liabilities on the consolidated balance sheet and the disclosure of key information about leasing arrangements. Early adoption is permitted and modified

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

retrospective application is required for leases that exist or are entered into after the beginning of the earliest comparative period in the consolidated financial statements. The Company is currently evaluating the impact, if any, of adopting ASU 2016-02 on the Company's consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The standard requires financial assets (including accounts receivable) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the consolidated statement of operations will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard is effective for fiscal years beginning after December 15, 2022. The Company is currently in the process of evaluating the impact, if any, of adoption of this ASU on the consolidated financial statements.

NOTE 03: ASSET PURCHASES

[redacted]

NOTE 04: CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash paid for interest during the periods ending December 31, 2021 and December 31, 2020 was [redacted] and [redacted], respectively. The Company did not have any cash paid for income taxes during the periods ended December 31, 2021 and 2020.

As of December 31, 2021, [redacted] in property, plant and equipment and [redacted] in preliminary survey and investigation charges were funded by accounts payable and other current liabilities. Preliminary survey and investigation charges totaling [redacted] were reclassified to property, plant, and

NOTE 04: CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

equipment during the period ending December 31, 2021. The asset purchases during the period ending December 31, 2021 included [redacted] of assets which had previously been funded by contributions in aid of construction.

As of December 31, 2020, [redacted] in property, plant and equipment and [redacted] in preliminary survey and investigation charges were funded by accounts payable and current liabilities. Preliminary survey and investigation charges totaling [redacted] were reclassified to property, plant, and equipment during the period ending December 31, 2020.

NOTE 05: CASH CONCENTRATION

As of December 31, 2021 and 2020, the Company's cash balance per depositor exceeded federally insured limits.

NOTE 06: PROPERTY, PLANT AND EQUIPMENT

Depreciation has been computed over the estimated useful life of each asset using the straight-line method. Interest costs have been capitalized based on the average outstanding capital expenditures. In addition, certain technical and engineering related studies associated with the project have also been capitalized and included in the basis of the assets.

Major classes of property, plant and equipment consist of the following:

	2021	2020
Utility Plant in Service - Sewer	[redacted]	
Utility Plant in Service - Water		
Furniture, Fixtures and Other		
Less: Accumulated Depreciation		
In Service Property, Plant and Equipment - Net		
Construction Work in Progress		
Property, Plant & Equipment Net		

Depreciation and amortization expense for the periods ended December 31, 2021 and 2020 totaled [redacted] and [redacted] which consisted of [redacted] and [redacted] in depreciation on property, plant and equipment, net amortization expense of the regulatory assets and liabilities [redacted] and [redacted] respectively, as disclosed in Note 2, and [redacted] and [redacted] in reduction of expense for amortization of contributions in aid of construction as disclosed in Note 2, respectively.

NOTE 07: NOTES PAYABLE – RELATED PARTY

The Company, through its subsidiaries, entered into agreements with [redacted], a related party through common ownership, at various times between 2016 and 2018, for a maximum principal amount of [redacted]. Associated with the agreements were construction notes payable to provide financing for the construction, improvements, and equipment for the Company's subsidiaries. During the construction period, all interest accrued on the loan was rolled into the principal balance of the loan. Interest is accrued at fixed rates of 13% or 14%. For some of these construction notes payable, the Company was not obligated to make any payments of interest or principal on the accrued interest or the principal amount owed until the first calendar month immediately following the construction completion date, at which point principal and interest payments are due monthly at various maturities between October 2036 and December 2041. As of December 31, 2021 and 2020, the outstanding loan balance, including accrued interest and origination fee, was [redacted] and [redacted] and unamortized deferred financing costs were [redacted] and [redacted] respectively. The outstanding loan balance, including capitalized interest and origination fee, less unamortized financing costs is as follows as of December 31:

	2021	2020
Notes Payable balance, including accrued interest and origination fee	[redacted]	
Unamortized deferred financing costs		
Current portion of notes payable		
Notes Payable, net of current portion		

Future maturities of notes payable are as follows:

Periods ending December 31,

2022	[redacted]
2023	
2024	
2025	
2026	
Thereafter	

The agreements are secured by specific portions of the Company's subsidiaries' assets and require adherence to specific restrictive covenants. For the periods ending December 31, 2021 and 2020 the Company had not satisfied certain covenant obligations. Through the date of issuance of the independent auditors report the debt has not been called and as of December 31, 2021, the lender provided written covenant waivers evidencing that no event of default has occurred which would cause the lender to exercise before April 1, 2023, its options to pursue the remedies outlined in the loan agreements.

NOTE 07: NOTES PAYABLE -RELATED PARTY (continued)

Deferred Financing Costs

Costs incurred in connection with financing activities are deferred and amortized to interest expense using the straight-line method over the terms of the related debt agreement. The straight-line method approximates the deferred interest method. Unamortized deferred financing costs of [redacted] and [redacted] are included in the accompanying consolidated balance sheets as a reduction of debt at December 31, 2021 and 2020, respectively. Amortization expense included in interest expense was [redacted] for the periods ended December 31, 2021 and 2020.

NOTE 08: OPERATING LEASE

The Company has a lease agreement for office space. During 2020, the prior lease agreement expired and the Company entered a new agreement. Under the expiring lease agreement, the Company paid monthly rent payments of [redacted] per month through March 2020. The Company's current lease has a term of five years and requires monthly rent payments of [redacted] beginning April, 2020.

Total future minimum commitments related to the lease is as follows:

2022 -	[redacted]
2023 -	
2024 -	
2025 -	
Total -	

The current lease agreement included a leasehold incentive as reimbursement for costs related to improving the leasehold and preparing the space for the Company's use. This incentive totaled [redacted] and was a receivable, included in Other Current Assets on the consolidated balance sheet, to the Company at December 31, 2020 and was received in 2021. The incentive also results in a liability which is to be amortized over the life of the lease as a reduction of rent expense. The Leasehold Incentive Liability is recorded as Other Long-Term Liabilities on the Company's consolidated balance sheet, net of accumulated amortization of [redacted] and [redacted] for the periods ended December 31, 2021 and 2020, respectively. Rent expense amounted to [redacted] and [redacted] for the periods ended December 31, 2021 and December 31, 2020, respectively. Amortization expense of the Leasehold Incentive Liability amounted to [redacted] and [redacted] for the periods ended December 31, 2021 and 2020, respectively.

NOTE 09: EMPLOYEE BENEFIT PLAN

The Company has a retirement plan for its employees which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company can make a discretionary profit-sharing contribution to employees any time during the year. Employees vest immediately in their contributions and the Company's profit-sharing contributions. The Company's contributions to the 401(k) plan totaled [redacted] and [redacted] for the periods ended December 31, 2021 and 2020, respectively.

NOTE 10: COMMITMENTS AND CONTINGENCIES

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the Company's management, the probable resolution of such contingencies will not have a material adverse effect on the financial position, cash flows or results of operations of the Company.

NOTE 11: INCOME TAXES AND LOSS CARRYFORWARD

Deferred income tax provisions/benefits for the Company's C-Corp subsidiaries are calculated for certain transactions and events because of differing treatments under GAAP and the currently enacted tax laws of the federal, state, and local governments. The Company accounts for federal income taxes in accordance with FASB ASC 740, whereby deferred taxes are provided on temporary differences arising from assets and liabilities whose bases are different for financial reporting and income tax purposes. Current deferred federal income taxes relate primarily to timing differences including a net operating loss carryforward and certain expenses that are not deductible for tax purposes. Deferred income tax assets and liabilities are computed for those temporary differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income.

The net deferred tax asset consists of the following components as of December 31:

	2021	2020
Estimated tax benefit for accumulated net operating losses	[redacted]	
Allowance for doubtul accounts		
Deferred tax asset/(liability)		
Less valuation allowance		
Deferred tax asset/(liability) - net		

The deferred tax assets as of December 31, 2021 and 2020 are a result of net operating losses for federal and state taxes that are available for carryforward to future periods and certain timing differences. There is a degree of uncertainty inherent in determining if it is more likely than not that the benefits from certain net operating loss carryforwards and other deferred tax assets may not be realized. Management has assessed this risk and has provided a valuation allowance of [redacted] and [redacted] on these deferred tax assets as of December 31, 2021 and 2020, respectively until the Company's subsidiaries starts to generate taxable income.

NOTE 12: SUBSEQUENT EVENTS

Subsequent to year end, the Company paid approximately [redacted] to acquire certain operating assets, primarily property, plant and equipment, that provide water supply and distribution services, and sewer collection and treatment services in Missouri, Texas, Arizona and Louisiana. The assets acquired are expected to approximate the amount paid.

Additionally, subsequent to year end, the Company amended the lease for its corporate offices in St Louis, Missouri. The amendment expanded the leased space and included a lease term ending March 31, 2025. The average monthly lease amount increased to approximately [redacted] with annual increases over the lease term. The lease term will commence after improvements to the leased space are completed by the landlord.

Total future minimum commitments related to the amended lease is as follows:

2022 -	[redacted]
2023 -	
2024 -	
2025 -	
Total -	

Management has evaluated subsequent events through the date of the independent auditors' report, March 31, 2022, the date these consolidated financial statements were available to be issued.

CONSOLIDATING BALANCE SHEETS

	Consolidated	Consolidation Elimination	CSWR, LLC	Missouri-CSWR	Hillcrest	Raccoon Creek	Indian Hills	Confluence Rivers	Elm Hills	Osage	Louisiana-CSWR	Magnolia	Kentucky-CSWR	Bluegrass	Texas-CSWR	CSWR-Texas
Current Assets	[redacted]															
Cash																
Accounts Receivable																
Other Current Assets																
Total Current Assets																
Property, Plant & Equipment, Net																
Misc Long-Term Assets																
Preliminary Survey & Investigation																
Investment in Associated Companies																
Unamortized Debt Expense																
Receivable from Associated Company																
Other Long-Term Assets																
Total Misc Long-Term Assets																
Goodwill																
Intangible Assets																
Deferred Income Tax Asset																
Total Assets																
Current Liabilities																
Accounts Payable																
Notes Payable-Current Portion																
Other Current Liabilities																
Total Current Liabilities																
Long-Term Liabilities																
Notes Payable																
Payable to Associated Companies																
Contributions in Aid of Construction																
Other Long-Term Liabilities																
Total Long-Term Liabilities																
Deferred Income Tax Liability																
Capitalization																
Paid-In Capital																
Retained Deficit																
Total Capitalization																
Total Liabilities and Capitalization																

(continued)

CSWR, LLC and Subsidiaries
Supplemental Information to the
Consolidated Financial Statements
For the year ended December 31, 2021

CONSOLIDATING BALANCE SHEETS

	Tennessee-CSWR	Limestone	Mississippi-CSWR	Great River	Arizona-CSWR	Cactus State	North Carolina-CSWR	RedBird	Arkansas-CSWR	Hayden's Place	St. Joseph's Glen	Sebastian Lake	Eagle Ridge	Oak Hill	Flushing Meadows	Inactive Entities
Current Assets	[redacted]															
Cash																
Accounts Receivable																
Other Current Assets																
Total Current Assets																
Property, Plant & Equipment, Net																
Misc Long-Term Assets																
Preliminary Survey & Investigation																
Investment in Associated Companies																
Unamortized Debt Expense																
Receivable from Associated Company																
Other Long-Term Assets																
Total Misc Long-Term Assets																
Goodwill																
Intangible Assets																
Deferred Income Tax Asset																
Total Assets																
Current Liabilities																
Accounts Payable																
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Other Current Liabilities																
Total Current Liabilities																
Long-Term Liabilities																
Notes Payable																
Payable to Associated Companies																
Contributions in Aid of Construction																
Other Long-Term Liabilities																
Total Long-Term Liabilities																
Deferred Income Tax Liability																
Capitalization																
Paid-In Capital																
Retained Deficit																
Total Capitalization																
Total Liabilities and Capitalization																

CONSOLIDATING STATEMENT OF OPERATIONS

	Consolidated	CSWR, LLC	Missouri-CSWR	Hillcrest	Raccoon Creek	Indian Hills	Confluence Rivers	Elm Hills	Osage	Louisiana-CSWR	Magnolia	Kentucky-CSWR	Bluegrass	Texas-CSWR	CSWR-Texas
Operating Revenue	[redacted]														
Operating Revenue															
Operating Expense															
Operations and Maintenance															
General and Administrative															
Depreciation and Amortization															
Total Operating Expense															
Operating Loss															
Other Income (Expense)															
Interest															
Total Other Income (Expense)															
Net Loss before Taxes															
Net Income (Loss)															

(continued)

CONSOLIDATING STATEMENT OF OPERATIONS

	Tennessee-CSWR	Limestone	Mississippi-CSWR	Great River	Arizona-CSWR	Cactus State	NorthCarolina-CSWR	RedBird	Arkansas-CSWR	Hayden's Place	St. Joseph's Glen	Sebastian Lake	Eagle Ridge	Oak Hill	Flushing Meadows	Inactive Entities
Operating Revenue	[redacted]															
Operating Revenue																
Operating Expense																
Operations and Maintenance																
General and Administrative																
Depreciation and Amortization																
Total Operating Expense																
Operating Loss																
Other Income (Expense)																
Interest																
Total Other Income (Expense)																
Net Loss before Taxes																
Net Income (Loss)																