FILED 8/9/2021
DOCUMENT NO. 09015-2021
FPSC - COMMISSION CLERK

RADEY
ATTORNEYS & COUNSELORS at LAW

PHONE (850) 425-6654 FAX (850) 425-6694 WEB WWW.RADEYLAW.COM
MAIL POST OFFICE BOX 10967 | TALLAHASSEE, FL 32302 OFFICE 301 SOUTH BRONOUGH ST.| STE. 200| TALLAHASSEE, FL 32301

tcrabb@radeylaw.com

August 9, 2021

Via Hand Delivery

Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

REDACTED

RECEIVED-FPSC
2021 AUG -9 PM 4:33
COMMISSION CLERK

Re: Docket No.: 20210133-SU

Dear Commission Clerk:

Attached please find a Request for Confidential Classification concerning Exhibit B to the Application filed on August 9, 2021 by CSWR-Florida Utility Operating Company, LLC. In addition, pursuant to rule 25-22.006(4)(a), Florida Administrative Code, please find attached one highlighted copy of Exhibit B and two redacted copies of Exhibit B.

CSWR-Florida Utility Operating Company, LLC also encloses the Application filing fee in the amount of $1,500.00.

Sincerely,

/s/ Thomas A. Crabb

Thomas A. Crabb
Susan F. Clark
Attorneys for Applicant
CSWR-Florida Utility Operating Company, LLC

COM ___
AFD ___
APA ___
ECO ___
ENG 1 Exh B
GCL ___
IDM ___
CLK ___

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer of wastewater facilities of North Peninsula Utilities Corporation and wastewater certificate 249-S to CSWR-Florida Utility Operating Company, LLC, In Volusia County
_______________________________________/

DOCKET No.: 20210133-SU

REQUEST FOR CONFIDENTIAL CLASSIFICATION

CSWR-Florida Utility Operating Company, LLC ("CSWR-Florida UOC" or "Applicant"), pursuant to section 367.156, Florida Statutes, and rule 25-22.006, Florida Administrative Code, requests that the Commission classify as confidential certain affiliate financial information contained in Exhibit B to CSWR-Florida UOC's Application. In support, CSWR-Florida UOC states:

1. CSWR-Florida UOC filed its Application on August 9, 2021, on Commission Form PSC 1005 (12/15). Part II-B of the Form requires the applicant to provide a "detailed financial statement (balance sheet and income statement), audited if available, of the financial applicant, that shows all assets and liabilities of every kind and character." Pursuant to that requirement, CSWR-Florida UOC has included such information in Exhibit B to the Application.

2. Exhibit B includes the consolidated financial statements of CSWR, LLC ("CSWR") and its subsidiaries. As explained in the Application, CSWR-Florida UOC was created for the purpose of acquiring and operating water and wastewater systems in Florida and as yet has no financial statements. To fund the acquisition proposed in the Application, CSWR, LLC, will invest sufficient equity in CSWR-Florida UOC to (a) pay the purchase price and all costs related to the acquisition of assets currently owned by Sunshine Utilities of Central Florida, Inc., (b) fund necessary capital improvements, and (c) provide working capital to sustain operations until fully compensatory rates are implemented and CSWR-Florida UOC becomes self-sufficient. Thus in

support of its Application, CSWR-Florida UOC has provided the audited financial statements of CSWR. CSWR is a private company whose financial statements are not publicly available.

3. The information contained in Exhibit B is entitled to confidential classification pursuant to section 367.156, Florida Statutes, and is exempt from section 119.07(1), Florida Statutes, and Article I, Section 24(a) of the Florida Constitution because it contains "proprietary confidential business information."

4. Section 367.156(3), Florida Statutes, defines "proprietary confidential business information" as:

> information, regardless of form or characteristics, which is owned or controlled by the person or company, is intended to be and is treated by the person or company as private in that the disclosure of the information would cause harm to the ratepayers or the person's or company's business operations, and has not been disclosed unless disclosed pursuant to a statutory provision, or order of a court of administrative body, or a private agreement that provides that the information will not be released to the public.

5. Some statutory examples of "proprietary confidential business information" include: (1) trade secrets; (2) internal auditing controls and reports of internal auditors; (3) information concerning bids or other contractual data, the disclosure of which would impair the efforts of the utility or its affiliates to contract for goods or services on favorable terms; and (4) information relating to competitive interests, the disclosure of which would impair the competitive businesses of the provider of the information. § 367.156(3), Fla. Stat.

6. The disclosure of the confidential financial information in Exhibit B would negatively affect and impair the business and competitive interests of CSWR and, in turn, CSWR-Florida UOC. The disclosure of such information may also reveal trade secrets or impair the ability of CSWR or CSWR-Florida UOC to contract for goods or services on favorable terms. In addition, it is not necessary to make the information in Exhibit B available to the public.

7. The Commission has ruled that similar financial statements were entitled to confidential classification. *See, e.g., In re: Application for authority to transfer assets of exempt entity in Sumter Cty. by the City of Wildwood to South Sumter Utility Company, LLC,* Docket No. 20190185-WS, Order No. PSC-2020-0076-CFO-WS, 2020 WL 1659672 (Fla. P.S.C. Mar. 17, 2020) (granting request for confidential classification for consolidated financial information and finding the information was not available to the general public and, if disclosed, could adversely impact the utility's ability to conduct business in a cost-effective manner); *In re: Application for increase in wastewater rates in Charlotte Cty. by Utilities, Inc. of Sandalhaven,* Docket No. 150102-SU, Order No. PSC-15-0561-CFO-SU, 2015 WL 8536715 (Fla. P.S.C. Dec. 9, 2015) (finding the consolidated financial statements met the statutory definition of proprietary confidential business information in section 367.156(3)(d) and (e), Florida Statutes).

8. Pursuant to rule 25-22.006(4)(d), Florida Administrative Code, CSWR-Florida UOC hereby affirms that the material identified as confidential in Exhibit B is intended to be and is treated by CSWR, along with CSWR-Florida UOC, as private and confidential and has not been publicly disclosed.

9. Exhibit A to this Request For Confidential Classification is a justification table that specifies the information in Application Exhibit B that CSWR-Florida UOC asks the Commission to classify as confidential and the statutory justification for each such request in compliance with rule 25-22.006(4), Florida Administrative Code. Also included with this Request For Confidential Classification is a copy of Application Exhibit B with the confidential information subject to this request highlighted (unredacted), and two redacted copies of Application Exhibit B.

WHEREFORE, CSWR-Florida UOC respectfully requests that the referenced information contained in Application Exhibit B be classified as confidential and exempt from disclosure under the Public Records Act in Chapter 119, Florida Statutes, and Article I, Section 24(a) of the Florida Constitution. CSWR-Florida UOC further requests, pursuant section 367.156(4), Florida Statutes, that the specified confidential information in Exhibit B be classified by the Commission as confidential for the maximum period of time allowed and the unredacted copy of Exhibit B be returned promptly to CSWR-Florida UOC upon closure of this docket.

Respectfully submitted this 9th day of August, 2021.

/s/ Thomas A. Crabb
Susan F. Clark (Fla. Bar No. 179580)
Thomas A. Crabb (Fla. Bar No. 25846)
Radey Law Firm
301 S. Bronough Street, Suite 200
Tallahassee, Florida 32301-1722
(850) 425-6654
tcrabb@radeylaw.com
sclark@radeylaw.com

Counsel for CSWR-Florida Utility Operating Company, LLC

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing has been furnished via electronic mail to the following this 9th day of August, 2021.

Office of Public Counsel
Richard Gentry
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee FL 32399
(850) 488-9300
gentry.richard@leg.state.fl.us

/s/ Thomas A. Crabb
Thomas A. Crabb

Exhibit A

Justification Matrix

Location (Document name and location of information)	**Justification**
<u>Consolidated Financial Statement:</u> **<u>Location:</u>** Pages 5-6: amounts under headings 2020 and 2019; Page 7: amounts under headings "Paid-In Capital," "Retained Deficit," and "Total Member's Equity;" Page 8: amounts under headings 2020 and 2019; Page 12, Note 02, Accounts Receivable: allowance amount for doubtful accounts; Page 12, Note 02, Regulation: amounts listed in last two paragraphs; Page 13, Note 02, Contributions in Aid of Construction: amounts for 2020 and 2019; Page 14: Note 03 Page 14, Note 04: amounts in last two paragraphs; Page 15, Note 04: amounts in first two paragraphs; Page 15, Note 06: amounts under headings 2020 and 2019, and amounts in last paragraph; Page 16, Note 07: amounts and contractual information listed in first paragraph, amounts under headings 2020 and 2019, and amounts of future maturities of notes payable; Page 17, Note 07, Deferred Financing Costs: amounts in first paragraph; Page 17, Note 08: amounts in second paragraph, amounts listed beside 2021-2025 and "total" row headings, and amounts in the subsequent paragraph; Page 17, Note 09: amounts listed therein; Page 18, Note 11: amounts under columns 2020 and 2019 and in subsequent paragraph; Page 19, Note 13: amount listed therein; Pages 20-23: all amounts under each column heading.	§367.156(3)(a), (b), (d) & (e), Florida Statutes: Disclosure of the consolidated financial statements of CSWR, LLC ("CSWR") which is not a public company and is not subject to public disclosure of its financial statements, would impair CSWR's (and the Applicant's) competitive interests, could be used to discern trade secrets, or harm its ability to contract for goods and services on a favorable basis. CSWR keeps this information strictly confidential to also prevent competitors and prospective counterparties from information which could be used in future negotiations to the disadvantage of CSWR and its affiliates.

Exhibit B

(Redacted)

CSWR, LLC and Subsidiaries

Consolidated Financial Statements

December 31, 2020 and 2019

Table of Contents

RSM

RSM US LLP

Independent Auditor's Report

Board of Directors
CSWR, LLC and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of CSWR, LLC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, 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).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSWR, LLC and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years the ended, in accordance with accounting principles generally accepted in the United States of America.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual companies 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 consolidating 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 11, 2021

CSWR, LLC and Subsidiaries
As of December 31, 2020 and 2019

Consolidated Balance Sheets

	2020	2019
Current Assets		
Cash	$ [redacted]	[redacted]
Accounts Receivable, net		
Other Current Assets		
Total Current Assets		
Property, Plant and Equipment, Net		
Non-Current Assets		
Preliminary Survey and Investigation	[redacted]	[redacted]
Other Long-Term Assets		
Total Non-Current Assets		
Goodwill		
Intangible Assets		
Total Assets	$	
Current Liabilities		
Accounts Payable	$ [redacted]	[redacted]
Notes Payable - Current		
Other Current Liabilities		
Total Current Liabilities		
Long-Term Liabilities		
Notes Payable, net of Current Portion	[redacted]	[redacted]
Contributions in Aid of Construction		
Other Long-Term Liabilities		
Total Long-Term Liabilities		
Member's Equity		
Paid-In Capital	[redacted]	[redacted]
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, 2020 and 2019

Consolidated Statements of Operations

	2020	*2019*
Operating Revenue		
Operating Revenue	$ [redacted]	[redacted]
Operating Expense		
Operations and Maintenance		
General and Administrative		
Depreciation and Amortization		
Total Operating Expense		
Operating Loss		
Other Income (Expense)		
Other Revenue	[redacted]	[redacted]
Interest		
Total Other Income (Expense)		
Net Loss before Taxes		
Income Tax Benefit		
Net Loss	$	

See notes to consolidated financial statements

Consolidated Statements of Member's Equity

	Paid-In Capital	Retained Deficit	Total Member's Equity
Balance at December 31, 2018	$ [redacted]	$ [redacted]	$ [redacted]
Capital Contributions			$
Net Loss			$
Balance at December 31, 2019			$
Capital Contributions			$
Net Loss			$
Balance at December 31, 2020	$	$	$

See notes to consolidated financial statements

CSWR, LLC and Subsidiaries

For the years ended December 31, 2020 and 2019

Consolidated Statements of Cash Flows

	2020	***2019***
Cash Flows from Operating Activities		
Net Loss	$ [redacted]	$ [redacted]
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 transfer of preliminary survey & investigation expense		
Loss on disposal of property, plant and equipment		
Interest capitalized to notes payable		
Interest capitalized to deferred financing costs		
Interest capitalized to allowance for funds used during construction		
Change in assets (increase) decrease	[redacted]	[redacted]
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	[redacted]	[redacted]
Contributions for 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") and Louisiana Central States Water Resources, LLC ("Louisiana 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 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

CSWR 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

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

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"). 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).

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
On January 1, 2019, the Company adopted Accounting Standards Codification ("ASC") Topic 606, Revenue From Contracts With Customers using the modified retrospective approach, applied to contracts which were not completed as of January 1, 2019. Under this approach, periods prior to the adoption have not been restated and continue to be reported under the accounting standards in effect for those periods.

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.

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 elected 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 elected 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 Agreement and are included in the income tax returns of the members. 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 losses timing differences.

The Company has assessed its federal and state tax positions and determined there were more likely than not no uncertainties or possible related effects that need to be recorded as of or for the years ended December 31, 2020 and 2019.

The federal and state income tax returns of the Company for the years ended December 31, 2020 and 2019 are subject to examination by the respective taxing authorities, generally for three years after they were filed.

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 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

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

receivable are reduced when the receivables are determined to be uncollectible. The allowance at December 31, 2020 and 2019 was [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 year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated lives for computing depreciation and amortization 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

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 and Louisiana utilities are subject to economic regulation by the respective PSCs. The Missouri PSC, Kentucky PSC, Texas PUC and Louisiana 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. 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] ("Other Long-Term Assets"), with accumulated amortization of [redacted] and [redacted] at December 31, 2020 and 2019 respectively. Amortization expense for the periods ended December 31, 2020 and 2019 was [redacted] and [redacted], respectively.

The Company's net regulatory liability for removal costs recoverable through rates at December 31, 2020 and 2019 was [redacted] and [redacted] respectively. Salvage expense of the liability for removal costs was [redacted] and [redacted] for the periods ended December 31, 2020 and 2019 respectively.

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

These liabilities are included in Property, Plant and Equipment, Net as a subset of accumulated depreciation.

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 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, 2020 and December 31, 2019, 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. 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.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases: Amendments to the FASB Accounting Standards Codification, 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 sheets and the disclosure of key information about leasing arrangements. Early adoption is permitted and modified 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 a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit

NOTE 02: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 will be effective for the calendar year ending December 31, 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 AND FACILITY OPERATIONS

Asset Purchases

[redacted]

Facility Operations

[redacted]

NOTE 04: CONSOLIDATED STATEMENT OF CASH FLOWS

Cash paid for interest during the periods ending December 31, 2020 and December 31, 2019 was [redacted] and [redacted] respectively. The Company did not have any cash paid for income taxes during the periods ended December 31, 2020 and 2019.

As of December 31, 2020, [redacted] in property, plant and equipment and [redacted] in preliminary survey and investigation charges were funded by accounts payable. Preliminary survey and investigation

NOTE 04: CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

charges totaling [redacted] were reclassified to property, plant, and equipment during the period ending December 31, 2020.

As of December 31, 2019 [redacted] in property, plant and equipment and [redacted] in preliminary survey and investigation charges were funded by accounts payable. Preliminary survey and investigation charges totaling [redacted] were reclassified to property, plant, and equipment during the period ending December 31, 2019. Interest capitalized to property, plant, and equipment was [redacted] for the period ending December 31, 2019.

NOTE 05: CASH CONCENTRATION

As of December 31, 2020 and 2019, the Company's cash balance per depositor exceeded federally insured limits.

NOTE 06: PROPERTY, PLANT AND EQUIPMENT

Capital assets, consisting of property, plant and equipment purchased or constructed by the Company, are stated at cost. 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:

		2020		2019
Utility Plant in Service - Sewer	$	[redacted]	$	[redacted]
Utility Plant in Service - Water		[redacted]		[redacted]
Furniture, Fixtures and Other		[redacted]		[redacted]
Less: Accumulated Depreciation		[redacted]		[redacted]
In Service Property, Plant and Equipment - Net	$	[redacted]	$	[redacted]
Construction Work in Progress		[redacted]		[redacted]
Property, Plant & Equipment Net	$	[redacted]	$	[redacted]

Net depreciation expense for the periods ended December 31, 2020 and December 31, 2019 totaled and [redacted] and [redacted] which consisted of [redacted] and [redacted] in depreciation on property, plant and equipment, net salvage 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. [redacted] 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 2039. As of December 31, 2020, and 2019, 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:

	2020	**2019**
Notes Payable balance, including accrued interest and origination fee	[redacted]	[redacted]
Unamortized deferred financing costs		
Current portion of notes payable		
Notes Payable, net of current portion		

Future maturities of notes payable are as follows:

Years ending December 31,

2021	[redacted]
2022	
2023	
2024	
2025	
Thereafter	

The agreements are secured by specific portions of the Company's assets and require adherence to specific restrictive covenants. For the years ending December 31, 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, 2020, the lender provided written covenant waivers evidencing that no event of default has occurred which would cause the lender to exercise before April 1, 2022, 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, 2020 and 2019, respectively. Amortization expense included in interest expense was [redacted] and [redacted] for the periods ended December 31, 2020 and 2019, respectively.

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 through March 2025.

Total future minimum commitments related to these leases are as follows:

2021 -	[redacted]
2022 -	
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, to The Company at December 31, 2020. 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 on the Company's financial statements, net of accumulated amortization of [redacted] in Other Long-Term Liabilities. Rent expense amounted to [redacted] and [redacted] for the periods ended December 31, 2020 and December 31, 2019, respectively. Amortization expense of the Leasehold Incentive Liability amounted to [redacted] for the period ended December 31, 2020.

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, 2020, December 31, 2019, 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 accounting principles generally accepted in the United States of America 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. Examples of these temporary differences include the future tax benefits of operating loss carryforwards recognized for financial reporting purposes and the allowance for doubtful accounts which will provide a tax benefit only upon the direct write off of customer balances.

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

	2020	2019
Accumulated net operating loss	[redacted]	[redacted]
Allowance for doubtful accounts		
Deferred tax asset/(liability)		
Less valuation allowance		
Deferred tax asset/(liability) - Net	$ -	$ -

The deferred tax assets as of December 31, 2020 and 2019 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, 2020 and 2019, respectively until the company starts to generate taxable income.

It is reasonably possible that management's estimate of the amount of tax benefit the Company will realize from the use of the tax loss carryforwards and other timing differences will change significantly in the future along with the related tax benefits.

NOTE 12: RECLASSIFICATIONS

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. Total assets, total liabilities, and net loss were not affected.

NOTE 13: SUBSEQUENT EVENTS

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

Management has evaluated subsequent events through the date of the independent auditors report, March 11, 2021, the date these consolidated financial statements were available to be issued.

Exhibit B - 20 of 23

CSWR, LLC and Subsidiaries
Supplemental Information to the
Consolidated Financial Statements
For the year ended December 31, 2020

CONSOLIDATING BALANCE SHEETS

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

(continued)

CSWR, LLC and Subsidiaries
Supplemental Information to the
Consolidated Financial Statements
For the year ended December 31, 2020

CONSOLIDATING BALANCE SHEETS

	Kentucky-CSWR	Bluegrass	Arkansas-CSWR	Hayden's Place	St. Joseph's Glen	Sebastian Lake	Eagle Ridge	Oak Hill	Flushing Meadows	TX-CSWR	CSWR-TX Operating	Inactive Entities
Current Assets												
Cash												
Accounts Receivable, net												
Other Current Assets												
Total Current Assets												
Property, Plant and Equipment, Net												
Non-Current Assets												
Preliminary Survey & Investigation												
Investment in Associated Companies												
Receivable from Associated Companies												
Other Long-Term Assets												
Total Non-Current Assets												
Goodwill												
Intangible Assets												
Deferred Income Tax												
Total Assets												
Current Liabilities												
Accounts Payable												
Notes Payable - Current												
Other Current Liabilities												
Total Current Liabilities												
Long-Term Liabilities												
Notes Payable, net of Current Portion												
Payable to Associated Companies												
Contributions in Aid of Construction												
Other Long-Term Liabilities												
Total Long-Term Liabilities												
Deferred Income Tax Liability												
Members' Equity												
Paid-In Capital												
Retained Deficit												
Total Members' Equity												
Total Liabilities and Equity												

[redacted]

CSWR, LLC & Subsidiaries
Supplemental Information to the
Consolidated Financial Statements
For the year ended December 31, 2020

CONSOLIDATING STATEMENT OF OPERATIONS

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

(continued)

CSWR, LLC & Subsidiaries
Supplemental Information to the
Consolidated Financial Statements
For the year ended December 31, 2020

CONSOLIDATING STATEMENT OF OPERATIONS

	Kentucky-CSWR	Bluegrass	Arkansas-CSWR	Hayden's Place	St. Joseph's Glen	Sebastian Lake	Eagle Ridge	Oak Hill	Flushing Meadows	TX-CSWR	CSWR-TX Operating	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)												
Other Revenue												
Interest												
Total Other Income (Expense)												
Net Loss before Taxes												
Net Income (Loss)												