

NOTE 6: REGULATORY ASSET

Pursuant to a settlement with the City of Tucson, the MDWID Board has ordered the capitalization of a regulatory asset. This asset was created as a result of the \$12,900 settlement along with the related note payable due to the City of Tucson (see Note 9, Debt). In accordance with generally accepted accounting principles under FASB 71, the regulatory asset was created due to the decision that current and future water rates will be set to be utilized to pay off the settlement note payable. The regulatory asset will be amortized on a straight-line basis over 20 years.