Global Water Resources, Inc.
Form 10-K/A
April 10, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K/A
(Amendment No. 1)
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________
Commission File Number: 001-37756
Global Water Resources, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware	90-0632193
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
21410 N. 19th Avenue #220, Phoenix, AZ	85027
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (480) 360-7775
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	The NASDAQ Stock Market, LLC (NASDAQ Global Select Market)

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes x No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 of Section 15(d) of the Act. Yes x No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). x Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	x
Non-accelerated filer	Smaller reporting company	x

Emerging growth company x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes x No

The aggregate market value of the common stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2018) was $185.7 million based upon the closing sale price of the registrant's common stock as reported on the NASDAQ Global Select Market. As of March 4, 2019, the registrant had 21,471,296 shares of common stock, $0.01 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Form 10-K, to the extent not set forth herein, is incorporated herein by reference to the registrant's definitive proxy statement relating to the 2019 annual meeting of stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the registrant's fiscal year ended December 31, 2018.

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 (this "Amendment") to the Annual Report on Form 10-K for the year ended December 31, 2018 of Global Water Resources, Inc. (the "Company") filed with the Securities and Exchange Commission (the "SEC") on March 7, 2019 (the "Original Form 10-K") is to amend the date of the Report of Independent Registered Public Accounting Firm of Deloitte & Touche LLP in Part II, Item 8 of the Original Form 10-K. Due to a technical error, the date of the Deloitte & Touche LLP report was inadvertently stated incorrectly in the Original Form 10-K.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, the Company has included the entire text of Part II, Item 8 in this Amendment. In addition, the exhibit listing in Part IV, Item 15 has been included in this Amendment to reflect a currently-dated consent of Deloitte & Touche LLP, as well as, currently-dated certifications from the Chief Executive Officer and the Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended, which are attached as exhibits to this Amendment.

Except as described above, no other changes have been made to the Original Form 10-K. There have been no changes to any of the financial or other information contained in the Original Form 10-K. The Amendment does not reflect any subsequent information or events, and no other information included in the Original Form 10-K has been modified or updated in any way.

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	3
Consolidated Balance Sheets as of December 31, 2018 and 2017	4
Consolidated Statements of Operations for the Years ended December 31, 2018, 2017, and 2016	5
Consolidated Statements of Shareholders’ Equity for the Years ended December 31, 2018, 2017, and 2016	6
Consolidated Statements of Cash Flows for the Years ended December 31, 2018, 2017, and 2016	7
Notes to Consolidated Financial Statements	8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of
Global Water Resources, Inc.
Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Global Water Resources, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.
Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.
We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.
/s/ DELOITTE & TOUCHE LLP
Phoenix, Arizona
March 6, 2019

We have served as the Company's auditor since 2003.

GLOBAL WATER RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	December 31, 2018	December 31, 2017
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment	312,148	289,051
Less accumulated depreciation	(85,093)	(75,592)
Net property, plant and equipment	227,055	213,459
CURRENT ASSETS:		
Cash and cash equivalents	12,756	5,248
Accounts receivable — net	1,488	1,528
Due from affiliates	406	430
Accrued revenue	1,998	1,759
Prepaid expenses and other current assets	686	700
Total current assets	17,334	9,665
OTHER ASSETS:		
Goodwill	2,639	—
Intangible assets — net	12,972	12,772
Regulatory asset	1,793	1,871
Deposits	128	—
Bond service fund and other restricted cash	441	436
Equity method investment	79	345
Other noncurrent assets	20	20
Total other assets	18,072	15,444
TOTAL ASSETS	262,461	238,568
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	604	321
Accrued expenses	7,465	7,252
Customer and meter deposits	1,460	1,395
Long-term debt and capital leases — current portion	47	8
Total current liabilities	9,576	8,976
NONCURRENT LIABILITIES:		
Long-term debt and capital leases	114,507	114,363
Deferred revenue - ICFA	17,358	19,746
Regulatory liability	8,851	8,463
Advances in aid of construction	67,684	62,725
Contributions in aid of construction — net	10,670	4,425
Deferred income tax liabilities, net	4,350	3,114
Acquisition liability	934	934
Other noncurrent liabilities	660	962
Total noncurrent liabilities	225,014	214,732
Total liabilities	234,590	223,708
Commitments and contingencies (Refer to Note 15)		
SHAREHOLDERS' EQUITY:		
	215	196

Common stock, $0.01 par value, 60,000,000 shares authorized; 21,530,470 and 19,631,266 shares issued as of December 31, 2018 and December 31, 2017, respectively.		
Treasury stock, 59,174 and no shares at December 31, 2018 and December 31, 2017, respectively.	(1)	—
Paid in capital	27,657	14,288
Retained earnings	—	376
Total shareholders' equity	27,871	14,860
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	262,461	238,568

See accompanying notes to the consolidated financial statements

GLOBAL WATER RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)

	Year Ended December 31,		
	2018	2017	2016
REVENUES:			
Water services	$ 15,344	$ 14,367	$ 13,978
Wastewater and recycled water services	17,654	16,765	15,740
Unregulated revenues	2,517	76	81
Total revenues	35,515	31,208	29,799
OPERATING EXPENSES:			
Operations and maintenance	6,630	6,087	6,188
Operations and maintenance - related party	1,599	1,462	1,853
General and administrative	10,548	9,407	9,667
Depreciation	7,469	6,908	6,279
Total operating expenses	26,246	23,864	23,987
OPERATING INCOME	9,269	7,344	5,812
OTHER INCOME (EXPENSE):			
Interest income	101	19	18
Interest expense	(5,255)	(5,125)	(11,866)
Other	592	1,478	2,222
Other - related party	178	234	15
Total other expense	(4,384)	(3,394)	(9,611)
INCOME (LOSS) BEFORE INCOME TAXES	4,885	3,950	(3,799)
INCOME TAX (EXPENSE) BENEFIT	(1,782)	601	1,287
NET INCOME (LOSS)	$ 3,103	$ 4,551	$ (2,512)
Basic earnings (losses) per common share	$ 0.15	$ 0.23	$ (0.13)
Diluted earnings (losses) per common share	$ 0.15	$ 0.23	$ (0.13)
Dividends declared per common share	$ 0.28	$ 0.28	$ 0.26
Weighted average number of common shares used in the determination of:			
Basic	20,468,509	19,605,239	19,146,534
Diluted	20,507,437	19,644,768	19,146,534

See accompanying notes to the consolidated financial statements

GLOBAL WATER RESOURCES, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands, except share and per share amounts)

	Common Stock Shares	Common Stock	Treasury Stock Shares	Treasury Stock	Paid-in Capital	Retained Earnings	Total Equity
BALANCE - December 31, 2015	18,241,746	$ 2	—	$ —	$ 21,659	$ (1,598)	$ 20,063
Net proceeds from sale of stock	1,339,520	281	—	—	5,258	—	5,539
Dividend declared $0.26 per share	—	—	—	—	(5,042)	—	(5,042)
Merger of GWRC	—	—	—	(87)	(2,365)	—	(2,452)
Retirement of treasury shares	—	(87)	—	87	—	—	—
Deemed distribution to related party	—	—	—	—	(648)	—	(648)
Stock compensation	—	—	—	—	106	—	106
Cumulative effect of change in accounting principle	—	—	—	—	—	(65)	(65)
Net loss	—	—	—	—	—	(2,512)	(2,512)
BALANCE - December 31, 2016	19,581,266	$ 196	—	$ —	$ 18,968	$ (4,175)	$ 14,989
Dividend declared $0.28 per share	—	—	—	—	(5,404)	—	(5,404)
Merger of GWRC	—	—	—	—	53	—	53
Stock option exercise	50,000	—	—	—	375	—	375
Stock compensation	—	—	—	—	296	—	296
Net income	—	—	—	—	—	4,551	4,551
BALANCE - December 31, 2017	19,631,266	$ 196	—	$ —	$ 14,288	$ 376	$ 14,860
Dividend declared $0.28 per share	—	—	—	—	(2,361)	(3,479)	(5,840)
Issuance of common stock	1,720,000	17	—	—	14,619	—	14,636
Treasury stock	—	—	(59,174)	(1)	—	—	(1)
Stock option exercise	179,204	2	—	—	788	—	790
Stock compensation	—	—	—	—	323	—	323
Net income	—	—	—	—	—	3,103	3,103
BALANCE - December 31, 2018	21,530,470	$ 215	(59,174)	$ (1)	$ 27,657	$ —	$ 27,871

See accompanying notes to the consolidated financial statements

GLOBAL WATER RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$3,103	$4,551	$(2,512)
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred compensation	1,714	1,550	2,234
Depreciation	7,469	6,908	6,279
Write-off of debt issuance costs	—	—	2,165
Amortization of deferred debt issuance costs and discounts	101	44	428
Loss on sale of Willow Valley	—	—	54
Loss on equity investment	265	136	340
Other gains	(27)	—	(978)
Provision for doubtful accounts receivable	93	128	70
Deferred income tax expense	1,236	529	(1,408)
Changes in assets and liabilities			
Accounts receivable	178	(179)	(409)
Other current assets	(110)	(116)	(415)
Accounts payable and other current liabilities	(688)	(1,247)	(4,087)
Other noncurrent assets	73	(1,763)	117
Other noncurrent liabilities	(2,100)	615	17
Net cash provided by operating activities	11,307	11,156	1,895
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(4,787)	(20,885)	(8,588)
Cash paid for acquisitions, net of cash acquired	(8,475)	—	—
Proceeds from the sale of Willow Valley	—	—	2,254
Deposits of restricted cash, net	1	(208)	154
Other cash flows from investing activities	(64)	95	13
Net cash used in investing activities	(13,325)	(20,998)	(6,167)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid	(5,791)	(5,399)	(5,036)
Advances in aid of construction	817	574	346
Proceeds from stock option exercise	790	375	—
Principal payments under capital lease	(27)	(79)	(378)
Refunds of advances for construction	(896)	(854)	(794)
Loan borrowings	140	—	115,000
Loan repayments	(9)	(5)	—
Repayments of bond debt	—	—	(106,695)
Proceeds withdrawn from bond service fund	—	—	8,825
Proceeds from sale of stock	15,910	—	8,372
Payment of Sonoran acquisition liability	—	—	(2,800)
Debt issuance costs paid	(134)	(20)	(760)
Payments of offering costs for sale of stock	(1,274)	—	(2,823)
Net cash provided by (used in) financing activities	9,526	(5,408)	13,257
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,508	(15,250)	8,985

CASH AND CASH EQUIVALENTS — Beginning of period	5,248	20,498	11,513
CASH AND CASH EQUIVALENTS – End of period	$12,756	$5,248	$20,498

See accompanying notes to the consolidated financial statements

GLOBAL WATER RESOURCES, INC.
Notes to the Consolidated Financial Statements

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION, CORPORATE TRANSACTIONS, SIGNIFICANT ACCOUNTING POLICIES, AND RECENT ACCOUNTING PRONOUNCEMENTS

Description of Business

Global Water Resources, Inc. (the “Company” or “GWRI”) is a water resource management company that owns, operates, and manages water, wastewater, and recycled water utilities in strategically located communities, principally in metropolitan Phoenix, Arizona. GWRI seeks to deploy an integrated approach, which the Company refers to as “Total Water Management,” a term used to mean managing the entire water cycle by owning and operating the water, wastewater, and recycled water utilities within the same geographic areas in order to both conserve water and maximize its total economic and social value. GWRI uses Total Water Management to promote sustainable communities in areas where the expectation is for growth to outpace the existing potable water supply. The Company’s model focuses on the broad issues of water supply and scarcity and applies principles of water conservation through water reclamation and reuse. The basic premise is that the world’s water supply is limited and yet can be stretched significantly through effective planning, the use of recycled water, and by providing individuals and communities resources that promote wise water usage practices.

GWRI currently owns twelve water and wastewater utilities in strategically targeted communities in metropolitan Phoenix. GWRI currently serves more than 55,000 people in approximately 21,000 homes within our 352 square miles of certificated service areas, which are serviced by seven wholly-owned regulated operating subsidiaries as of December 31, 2018. Approximately 92.8% of the Company’s active service connections are customers of our Santa Cruz and Palo Verde utilities, which are located within a single service area. GWRI has grown significantly since its formation in 2003, with total revenues increasing from $4.9 million in 2004 to $35.5 million in 2018, and total service connections increasing from 8,113 as of December 31, 2004 to 44,289 as of December 31, 2018, with regionally planned service areas large enough to serve approximately two million service connections.

Basis of Presentation and Principles of Consolidation

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of GWRI and its subsidiaries. All significant intercompany account balances and transactions have been eliminated in consolidation. The Company prepares its financial statements in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The U.S. dollar is the Company’s reporting currency and functional currency.

The Company qualifies as an “emerging growth company”, as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), under the rules and regulations of the SEC. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. The Company has elected to take advantage of these provisions for up to five years or such earlier time that the Company is no longer an emerging growth company. The Company has elected to take advantage of some of the reduced disclosure obligations regarding financial statements. Also, as an emerging growth company, the Company can elect to delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. The Company has chosen to take advantage of this extended accounting transition provision.

Certain prior period information has been adjusted to conform to the current year presentation to reflect a 100.68 to 1.00 stock split effectuated on April 28, 2016. All share and per share amounts presented in these financial statements have been retrospectively adjusted to reflect the impact of the stock split.

Corporate Transactions

Sale of certain MXA and WMA contracts

In September 2013, the Company sold its Wastewater Facilities Main Extension Agreements (“MXA”) and Offsite Water Management Agreements (“WMA") for the contemplated Loop 303 service area along with their related rights and obligations to EPCOR Water Arizona Inc. (“EPCOR”) (collectively the “Transfer of Project Agreement”, or “Loop 303 Contracts”). Pursuant to the Transfer of Project Agreement, EPCOR agreed to pay GWRI approximately $4.1 million over a multi-year period. As part of the consideration, GWRI agreed to complete certain engineering work required in the WMAs, which work had been completed prior to January 1, 2015. As the engineering work has been completed, the Company effectively has no further obligations under the WMAs, the MXAs, or the Transfer of Project Agreement. Prior to January 1, 2015, the Company had received $2.8 million of proceeds and recognized income of approximately $3.3 million within other income (expense) in the statement of operations related to the gain on sale of these agreements and the proceeds received prior to January 1, 2015 for engineering work required in the WMAs. The Company received additional proceeds of approximately $0.3 million in April 2015 and recognized those amounts as income at that time. Receipt of the remaining $1.0 million of proceeds will be recorded as additional income over time as certain milestones are met between EPCOR and the developers/landowners. Additional milestones have been completed during the three months ended December 31, 2018 and as such, the remaining $1.0 million is expected to be received during the first half of 2019.

Stipulated Condemnation of the Operations and Assets of Valencia Water Company, Inc.

On July 14, 2015, the Company closed the stipulated condemnation to transfer the operations and assets of Valencia Water Company, Inc. ("Valencia") to the City of Buckeye. Terms of the condemnation were agreed upon through a settlement agreement and stipulated final judgment of condemnation wherein the City of Buckeye acquired all the operations and assets of Valencia and assumed operation of the utility upon close. The City of Buckeye paid the Company $55.0 million at close, plus an additional $0.1 million in working capital adjustments. The City of Buckeye is obligated to pay the Company a growth premium equal to $3,000 for each new water meter installed within Valencia’s prior service areas in the City of Buckeye, for a 20-year period ending December 31, 2034, subject to a maximum payout of $45.0 million over the term of the agreement.

In consideration of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 205-20-45-1, Presentation of Financial Statements – Discontinued Operations, the condemnation of Valencia transaction did not meet the criteria of discontinued operations. As the transaction did not change the services provided or the manner in which the Company operates, it was determined the transaction did not represent a strategic shift and therefore did not qualify for presentation as a discontinued operation.

Sale of Willow Valley Water Co., Inc.

On March 23, 2015, the Company reached an agreement to sell the operations and assets of Willow Valley Water Company, Inc. (“Willow Valley”) to EPCOR. EPCOR purchased the operations, assets, and rights used by Willow Valley to operate the utility system for $2.3 million. The transaction was approved by the Arizona Corporation Commission (“ACC”) on March 10, 2016, and the transaction closed on May 9, 2016.

Per ASC 360-10-45-9, Impairment and Disposal of Long-Lived Assets, the assets and liabilities of Willow Valley were determined to meet the criteria to be classified as held for sale beginning with our March 31, 2015 consolidated financial statements. The criteria utilized to make this determination were: (i) management had the authority and had entered into an agreement to sell the assets of Willow Valley; (ii) the assets and liabilities were available for immediate sale in their present condition; (iii) the approval from the ACC was probable within the next year; (iv) a reasonable price had been agreed upon; and (v) it was unlikely that significant changes to the agreement would occur prior to approval. In consideration of ASC 205-20-45-1, the Willow Valley transaction did not meet the criteria for discontinued operations as the transaction did not change the services provided nor the manner in which the Company operates. Therefore, it was determined the transaction did not represent a strategic shift. A loss of $176,000 was recorded in other expense during the first quarter of 2015, when the assets and liabilities were classified as held for sale, to adjust the carrying value of the assets to the agreed upon fair value less cost to sell. An additional loss of $54,000 was recognized upon close of the sale of Willow Valley in the second quarter of 2016.

-9-

Merger with GWR Global Water Resources Corp. (“GWRC”)

On May 3, 2016, the Company completed the merger of GWRC into GWRI, (the "Reorganization Transaction"). At the time of the merger, GWRC ceased to exist as a British Columbia corporation and the Company continued as the surviving entity of the merger. See Note 8 – “Transactions with Related Parties”. In conjunction with the merger of GWRC into GWRI, the Company recorded $731,000 in accounts payable and $353,000 in deferred compensation on the books of GWRI that were previously recorded at GWRC. In addition to these liabilities, the Company also recorded an approximate $1.4 million tax liability associated with the transfer of GWRC from Canada to the United States, which liability has since been settled. A corresponding reduction in paid in capital was recorded with the merging of these liabilities into GWRI. The 8,726,747 outstanding common shares of the Company held by GWRC, and acquired by the Company at the time of merger, were recorded as treasury stock and were retired in December 2016.

Initial Public Offering

On May 3, 2016, the Company completed the initial public offering of 1,164,800 shares of common stock at $6.25 per share for gross proceeds of approximately $7.3 million (the “U.S. IPO”). The Company granted the underwriter the option to purchase up to an additional 174,720 shares of common stock at the same price, which was exercised by the underwriter on May 11, 2016, for additional gross proceeds of $1.1 million. Our shares of common stock are listed on the NASDAQ Global Market and the Toronto Stock Exchange under the symbols “GWRS” and “GWR”, respectively.

Private Letter Ruling

On June 2, 2016, the Company received a Private Letter Ruling from the Internal Revenue Service ("IRS") that, for purposes of deferring the approximately $19.4 million gain realized from the condemnation of the operations and assets of Valencia, determined that the assets converted upon the condemnation of such assets could be replaced through certain reclamation facility improvements contemplated by the Company under Internal Revenue Code §1033 as property similar or related in service or use. In June 2016, the Company converted all operating subsidiaries from corporations to limited liability companies to take full advantage of the benefits of such ruling.

Pursuant to Internal Revenue Code §1033, the Company would have been able to defer the gain on condemnation through the end of 2017. On April 18, 2017, the Company filed a request for a one-year extension to defer the gain to the end of 2018, which the IRS approved on August 8, 2017. On August 28, 2018, the Company filed a request to further defer the gain to the end of 2019, which the IRS approved on October 12, 2018. As a result of the initial Private Letter Ruling, the Company significantly increased capital expenditures in 2016 and 2017 as compared to prior years. Following the most recent Private Letter Ruling extension, the Company expects an increase in capital expenditures for 2019 compared to 2018 to fully defer the remaining tax liability of approximately $2.1 million as of December 31, 2018.

Acquisitions

Eagletail Water Company

On May 15, 2017, the Company acquired Eagletail Water Company ("Eagletail") via merger. At the time of acquisition, Eagletail, a small water utility located west of metropolitan Phoenix, added approximately 55 active water connections and eight square miles of approved service area to the Company’s existing regional service footprint. Total consideration was approximately $80,000. As part of the transaction, the Company acquired assets of approximately $80,000 and assumed liabilities of approximately $78,000. Refer to Note 6 — "Acquisitions" for additional information regarding acquisitions.

Turner Ranches Water and Sanitation Company

On May 30, 2018, the Company acquired Turner Ranches Water and Sanitation Company ("Turner"), a non-potable irrigation water utility in Mesa, Arizona, for total consideration of approximately $2.8 million in cash. Refer to Note 6 — "Acquisitions" for additional information regarding the Turner acquisition.

Red Rock Utilities

On October 16, 2018, the Company completed the acquisition of Red Rock Utilities ("Red Rock"), an operator of a water and a wastewater utility with service areas in the Pima and Pinal counties of Arizona, for a purchase price of $5.9 million. The acquisition added over 1,650 connections and approximately 9 square miles of service area. Refer to Note 6 — "Acquisitions" for additional information regarding the Red Rock acquisition.

Common Stock Offering

On July 20, 2018, the Company completed a public offering of 1,720,000 shares of common stock at a public offering price of $9.25 per share, for gross proceeds of $15.9 million, which included 220,000 shares issued and sold pursuant to the underwriter's exercise in full of its option to purchase additional shares. The Company received net proceeds of approximately $14.6 million after deducting underwriting discounts and commissions and offering expenses payable by the Company, which collectively totaled $1.3 million.

ACC Tax Docket

The Company had a regulatory asset of $1.8 million and $1.9 million at December 31, 2018 and December 31, 2017, respectively, and regulatory liabilities of $0.6 million at both December 31, 2018 and 2017 related to the Federal Tax Cuts and Jobs Act (the "TCJA") signed into law on December 22, 2017. Under ASC Topic 740, Income Taxes, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred income tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the Company’s deferred income taxes were re-measured based upon the new tax rate. For the Company’s regulated entities, substantially all of the change in deferred income taxes is recorded as an offset to either a regulatory asset or liability because the impact of changes in the rates are expected to be recovered from or refunded to customers.

On December 20, 2017, the Arizona Corporation Commission (the “ACC”) opened a docket to address the utility ratemaking implications of the TCJA. The ACC is considering the impact for regulated utilities, as it is expected that certain effects of the TCJA add to rate base and others reduce rate base. Numerous companies, including our regulated utilities, filed comments with the ACC in January 2018. The ACC subsequently approved an order in February 2018 requiring Arizona utilities to apply regulatory accounting treatment, which includes the use of regulatory assets and regulatory liabilities, to address all impacts from the enactment of the TCJA. The order also required certain utilities (including all of our currently operating regulated utilities other than Eagletail, Turner and Red Rock) to have made one of the following three types of filings by April 7, 2018: 1) file an application for a tax expense adjustor mechanism, 2) file an intent to file a rate case within 90 days, or 3) any such other application to address rate making implications of the TCJA.

Accordingly, we filed a proposal for a tax expense adjustor mechanism with the ACC on April 9, 2018, which was subsequently amended through an updated filing with the ACC on July 2, 2018. The updated filing set forth a number of alternative proposals, including that the ACC make no reduction to regulated revenues or, in the alternative, that the ACC approve a phased reduction in regulated revenues.

On September 20, 2018, the ACC issued Rate Decision No. 76901, which set forth the reductions in revenue for our Santa Cruz, Palo Verde, Greater Tonopah and Northern Scottsdale utilities due to the TCJA. Rate Decision No. 76901 adopted a phase-in approach for the reductions to match the phase-in of our revenue requirement under Rate Decision No. 74364 enacted in February 2014. In 2018, the annual reductions in revenue for our Santa Cruz, Palo Verde, Greater Tonopah, and Northern Scottsdale utilities are approximately $312,000, $449,000, $16,000, and $5,000, respectively. In 2021, the final year of the phase-in, the annual reductions in revenue for our Santa Cruz, Palo Verde, Tonopah, and Northern Scottsdale utilities will be approximately $415,000, $669,000, $16,000, and $5,000, respectively. The ACC also approved a carrying cost of 4.25% on regulatory liabilities resulting from the difference of the fully phased-in rates to be applied in 2021 versus the phased-in rates refunded in 2018.

Rate Decision No. 76901, however, did not address the impacts of the TCJA on accumulated deferred income taxes ("ADIT"), including excess ADIT ("EADIT"). The ACC requested the Company to submit a proposal by December 19, 2018 regarding the impact of the TCJA on its ADIT as of January 1, 2018, and the related EADIT amortization methods for both the plant-related (the protected element of EADIT) and the non-plant related (the unprotected portion of EADIT) assets, as appropriate. On December 19, 2018, the Company submitted the required filing and proposed that as part of a required July 1, 2019 filing, it will propose revised tariffs that incorporate the appropriate rate impacts.

Previously, the ACC Chairman noted that there may be some unintended consequences related to the tax treatment of CIACs and AIACs, which are now taxable with the enactment of the TCJA. Following receipt of comments from various parties, including from us, and a recommendation from the ACC Staff, the ACC adopted an order in November 2018 relating to the funding for income taxes on CIACs and AIACs that provides for the following: 1) requires that under the hybrid sharing method, a contributor will pay a gross-up to the utility consisting of 55% of the income tax expense with the utility covering the remaining 45% of the income tax expense; 2) removes the full gross-up method option for Class A and B utilities and its affiliates (which includes all of our utilities); 3) ensures proper ratemaking treatment of a utility using the self-pay method; 4) clarifies that pass-through entities that are owned by a “C” corporation can recover tax expense according to methods allowed; and 5) requires Class A and B utilities to self-pay the taxes associated with hook-up fee contributions but permits using a portion of the hook-up fees to fund these taxes. The ACC amended the November order by issuing Decision No. 77084 on February 20, 2019, which imposed additional limits on grossing up CIAC, which we do not believe will be material to us, and modified certain provisions for Class C utilities.

Significant Accounting Policies

Regulation

Our regulated utilities and certain other balances are subject to regulation by the ACC and are therefore subject to Accounting Standards Codification Topic 980, Regulated Operations (“ASC Topic 980”) (See Note 2 – “Regulatory Decision and Related Accounting and Policy Changes”).

Property, plant, and equipment

Property, plant, and equipment is stated at cost less accumulated depreciation provided on a straight-line basis (See Note 3 – “Property, Plant, and Equipment”).

Depreciation rates for asset classes of utility property, plant, and equipment are established by the ACC. The cost of additions, including betterments and replacements of units of utility fixed assets are charged to utility property, plant, and equipment. When units of utility property are replaced, renewed, or retired, their cost plus removal or disposal costs, less salvage proceeds, is charged to accumulated depreciation.

For non-utility property, plant, and equipment, depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets. Cost and accumulated depreciation for non-utility property, plant, and equipment retired or disposed of are removed from the accounts and any resulting gain or loss is included in earnings.

In addition to third party costs, direct personnel costs and indirect construction overhead costs may be capitalized. Interest incurred during the construction period is also capitalized as a component of the cost of the constructed assets, which represents the cost of debt associated with construction activity. Expenditures for maintenance and repairs are charged to expense.

Revenue Recognition—Water Services

Water services revenues are recorded when service is rendered or water is delivered to customers. However, in addition to the monthly basic service charge, the determination and billing of water sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each reporting period, amounts of water delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is recorded as accrued revenue.

Water connection fees are the fees associated with the application process to set up a customer to receive utility service on an existing water meter. These fees are approved by the ACC through the regulatory process and are set based on the costs incurred to establish services including the application process, billing setup, initial meter reading, and service transfer. Because the amounts charged for water connection fees are set by our regulator and not negotiated in conjunction with the pricing of ongoing water service, the connection fees represent the culmination of a separate earnings process and are recognized when the service is provided. For the years ended December 31, 2018, 2017, and 2016, the Company recognized $344,000, $307,000, and $236,000 in connection fees, respectively.

Meter installation fees are the fees charged to developers or builders associated with installing new water meters. Certain fees for meters are regulated by the ACC, and are refundable to the end customer over a period of time. Refundable meter installation fees are recorded as a liability upon receipt. These fees are recognized as revenue when the service is rendered, or when a water meter is installed.

Revenue Recognition—Wastewater and Recycled Water Services

Wastewater service revenues are generally recognized when service is rendered. Wastewater services are billed at a fixed monthly amount per connection, and recycled water services are billed monthly based on volumetric fees.

Revenue Recognition—Unregulated Revenues

Unregulated Revenues represent those revenues that are not subject to the ratemaking process of the ACC. Unregulated revenues are limited to rental revenue and imputed revenues resulting from certain infrastructure coordination and financing agreement arrangements ("ICFAs").

Allowance for Doubtful Accounts

Provisions are made for doubtful accounts due to the inherent uncertainty around the collectability of accounts receivable. The allowance for doubtful accounts is recorded as bad debt expense, and is classified as general and administrative expense. The allowance for doubtful accounts is determined considering the age of the receivable balance, type of customer (e.g., residential or commercial), payment history, as well as specific identification of any known or expected collectability issues (see Note 4 – “Accounts Receivable”).

Infrastructure coordination and financing fees

ICFAs are agreements with developers and homebuilders whereby GWRI, which owns the operating utilities, provides services to plan, coordinate, and finance the water and wastewater infrastructure that would otherwise be required to be performed or subcontracted by the developer or homebuilder. Services provided within these agreements include coordination of construction services for water and wastewater treatment facilities as well as financing, arranging, and coordinating the provision of utility services.

ICFA revenue is recognized when the following conditions are met:

- the fee is fixed and determinable;
- the cash received is nonrefundable;
- capacity currently exists to serve the specific lots; and
- there are no additional significant performance obligations.

As these arrangements are with developers and not with the end water or wastewater customer, revenue recognition coincides with the completion of our performance obligations under the agreement with the developer and our ability to provide fitted capacity for water and wastewater service. Payments received under the agreements are recorded as deferred revenue until the point at which all of the conditions described above are met. Historically ICFAs have been accounted for as revenue pursuant to the obligations being met as outlined above, or as contributions in aid of construction (“CIAC”) when funds were received. Pursuant to Rate Decision No. 74364, as funding is received 70% of ICFAs are now recorded as a hook-up fee (“HUF”) liability until the HUF liability is fully funded, with the remaining amount recorded as revenue once all components of revenue recognition are met (See Note 2 – “Regulatory Decision and Related Accounting and Policy Changes”).

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments in debt instruments with an original maturity of three months or less.

Restricted Cash

Restricted cash represents cash deposited as a debt service reserve for certain loans and bonds. The following table summarizes the restricted cash balance as of December 31, 2018 and 2017 (in thousands):

	December 31, 2018	December 31, 2017
HUF funds	$ 9	$ 9
Certificate of deposits	432	427
	$ 441	$ 436

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company's valuation allowance totaled zero as of December 31, 2018 and 2017, (see Note 12 – "Income Taxes").

We evaluate uncertain tax positions using a two-step approach. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when we subsequently determine that a tax position no longer meets the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited, and to the extent that uncertain tax positions exist, we provide expanded disclosures.

Basic and Diluted Earnings per Common Share

As of December 31, 2018, the Company had 498,496 options outstanding to acquire an equivalent number of shares of GWRI common stock. As of December 31, 2018, 100,000 options were included in EPS and had 38,928 common share equivalents. The remaining 398,496 options did not have any common share equivalents to be considered for purposes of calculating earnings per share. As of December 31, 2017, the Company had 740,000 options outstanding, 275,000 options were in the money, and had common share equivalents of 39,529, which were included within the calculation of diluted earnings per share, along with $154,000 of unrecognized stock compensation. The remaining 465,000 options were out of the money in the period, and therefore the Company did not have any common share equivalents to be considered for purposes of calculating earnings per share. As of December 31, 2016, the Company had 368,395 options outstanding, all options were in the money, and had common share equivalents of 19,467, which were not included within the calculation of diluted earnings per share as to do so would be antidilutive in periods of net loss. See Note 13 – "Deferred Compensation Awards".

Goodwill

Goodwill represents the excess purchase price over the fair value of net tangible and identifiable intangible assets acquired through acquisitions. Goodwill is not amortized, it is instead tested for impairment annually, or more often, if circumstances indicate a possible impairment may exist. As required, we evaluate goodwill for impairment annually, and do so as of November 1 of each year, and at an interim date if indications of impairment exist. When testing goodwill for impairment, we may assess qualitative factors, including macroeconomic conditions, industry and market considerations, overall financial performance, and entity specific events to determine whether it is more likely than not that the fair value of an operating and reportable segment is less than its carrying amount. We utilize internally developed discounted future cash flow models, third-party appraisals, or broker valuations to determine the fair value of the reporting unit. Under the discounted cash flow approach, we utilize various assumptions requiring judgment, including projected future cash flows, discount rates, and capitalization rates. Our estimated future cash flows are based on historical data, internal estimates, and external sources. We then compare the estimated fair value to the carrying value. If the carrying value is in excess of the fair value, an impairment charge is recorded to asset impairments within our consolidated statement of operations in the amount by which the reporting unit's carrying value exceeds its fair value, limited to the carrying value of goodwill. Refer to Note 7 — "Goodwill and Intangible Assets" for additional information about goodwill.

Intangible Assets

Intangible assets not subject to amortization consist of certain permits expected to be renewable indefinitely, water rights and certain service areas acquired in transactions which did not meet the definition of business combinations for accounting purposes, and are considered to have indefinite lives. Intangible assets with indefinite lives are not amortized but are tested for impairment annually, or more often if certain circumstances indicate a possible impairment may exist. Amortized intangible assets consist primarily of acquired ICFA contract rights.

Pursuant to Rate Decision No. 71878 issued by the ACC on September 15, 2010 for the February 2009 filed rate cases for Santa Cruz, Palo Verde, Valencia, Greater Buckeye, Greater Tonopah, and Willow Valley (the "2010 Regulatory Rate Decision"), ICFA funds received were accounted for as CIAC. The Company established a regulatory liability against the Company's intangible assets balance to offset the value of the intangible assets related to the expected receipt of ICFA fees in the future. As of January 1, 2014 the Company had a regulatory liability balance of $11.4 million. However, in 2014, in conjunction with Rate Decision No. 74364, the ACC determined that ICFA funds were no longer to be recorded as CIAC, but rather 70% of funds received should be recorded as HUF until the HUF liability is fully funded, with the remaining amount to be deferred and recognized according to the Company's ICFA revenue recognition policy (see 'Note 2 – Regulatory Decision and Related Accounting and Policy Changes"). Accordingly, in 2014 30%, or $3.4 million, of the regulatory liability was reversed in connection with the recognition of the rate decision.

Debt Issuance Costs

In connection with the issuance of some of our long-term debt, we have incurred legal and other costs that we believe are directly attributable to realizing the proceeds of the debt issued. These costs are netted against long-term debt and amortized as interest expense using the effective interest method over the term of the respective debt. Amortization of debt issuance costs and discounts totaled $101,000 and $44,000 for each of the years ended December 31, 2018 and 2017, respectively. Amortization of debt issuance costs and discounts totaled $2.6 million for the year ended December 31, 2016, of which $2.2 million was for the write off of debt issuance costs and $428,000 was for the amortization for the year ended December 31, 2016.

Impairment of Long-Lived Assets

Management evaluates the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If an indicator of possible impairment exists, an undiscounted cash flow analysis would be prepared to determine whether there is an actual impairment. Measurement of the impairment loss is based on the fair value of the asset. Generally, fair value will be determined using appraisals or valuation techniques such as the present value of expected future cash flows.

Advances and Contributions in Aid of Construction

The Company has various agreements with developers and builders, whereby funds, water line extensions, or wastewater line extensions are provided to us by the developers and are considered refundable advances for construction. These advances in aid of construction ("AIAC") are non-interest-bearing and are subject to refund to the developers through annual payments that are computed as a percentage of the total annual gross revenue earned from customers connected to utility services constructed under the agreement over a specified period. Upon the expiration of the agreements' refunding period, the remaining balance of the advance becomes nonrefundable and at that time is considered CIAC. CIAC are amortized as a reduction of depreciation expense over the estimated remaining life of the related utility plant. For rate-making purposes, utility plant funded by advances or contributions in aid of construction are excluded from rate base. AIAC balances of $0 and $24,000 were transferred to CIAC for the years ended December 31, 2018 and 2017, respectively.

Fair Value of Financial Instruments

The carrying values of cash equivalents, trade receivables, and accounts payable approximate fair value due to the short-term maturities of these instruments. See Note 11 – "Debt" for information as to the fair value of our long-term debt. Our refundable AIAC have a carrying value of $67.7 million and $62.7 million as of December 31, 2018 and 2017, respectively. Portions of these non-interest-bearing instruments are payable annually through 2032 and amounts not paid by the contract expiration dates become nonrefundable. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. However, the fair value of these amounts would be less than their carrying value due to the non-interest-bearing feature.

Asset Retirement Obligations

Liabilities for asset retirement obligations are typically recorded at fair value in the period in which they are incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. Our legal obligations for retirement reflect principally the retirement of wastewater treatment facilities, which are required to be closed in accordance with the Clean Closure Requirements of the Arizona Department of Environmental Quality (ADEQ). The Clean Closure Requirements of ADEQ for wastewater facilities are driven by a need to protect the environment from inadvertent contamination associated with the decommissioning of these systems. As such, our regulated subsidiaries incur asset retirement obligations. As of December 31, 2018 and 2017, the Company held $0.4 million in certificates of deposit, or letters of credit to benefit ADEQ for such anticipated closure costs. Water systems, unlike wastewater systems, do not require Aquifer Protection Permits or the associated Clean Closure Requirement obligation.

Amounts recorded for asset retirement obligations are subject to various assumptions and determinations, such as determining whether a legal obligation exists to remove assets; estimating the fair value of the costs of removal; estimating when final removal will occur; and determining the credit-adjusted, risk-free interest rates to be utilized on discounting future liabilities. Changes that may arise over time with regard to these assumptions will change amounts recorded in the future. Estimating the fair value of the costs of removal were determined based on third-party costs.

Segments

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing operating performance. In consideration of ASC 280—Segment Reporting the Company notes it is not organized around specific products and services, geographic regions, or regulatory environments. The Company currently operates in one geographic region within the State of Arizona, wherein each operating utility operates within the same regulatory environment.

While the Company reports its revenue, disaggregated by service type, on the face of its Statements of Operations, the Company does not manage the business based on any performance measure at the individual revenue stream level. The Company does not have any customers that contribute more than 10% to the Company's revenues or revenue streams. Additionally we note that the CODM uses consolidated financial information to evaluate the Company's performance, which is the same basis on which he communicates the Company's results and performance to the Board of Directors. It is upon this consolidated basis from which he bases all significant decisions regarding the allocation of the Company's resources on a consolidated level. Based on the information described above and in accordance with the applicable literature, management has concluded that the Company is currently organized and operated as one operating and reportable segment.

Change in Accounting Principle

The Company historically accounted for stock appreciation rights ("SARs") as liability compensatory awards under ASC 710, Compensation – General, valued using the intrinsic value method, as permitted by ASC 718, Compensation – Stock Compensation ("ASC 718"), for nonpublic entities. Upon becoming a public company, as defined in ASC 718, in the second quarter of 2016, the Company was required to change its methodology for valuing the SARs. While the SARs will continue to be remeasured at each quarterly reporting date, the SARs are required to be accounted for prospectively at fair value using a fair value pricing model, such as Black-Scholes. The Company recorded the impact of the change in valuation methods as a cumulative effect of a change in accounting principle, as permitted by ASC 250, Accounting Changes and Error Corrections. The effect of the change increased the SAR liability by $103,000 which was the difference in compensation cost measured using the intrinsic value method and the fair value method. An offsetting change to accumulated deficit in the consolidated balance sheet was recorded with the revaluation, net of $38,000 in taxes. Any future changes in fair value will be recorded as compensation expense in the consolidated statement of operations.

Immaterial Correction of an Error in Previously Issued Financial Statements

Subsequent to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2017, the Company identified prior period misstatements in stock compensation expense that resulted in the overstatement of general and administrative expense in the Company's consolidated statements of operations. The Company assessed the materiality of these misstatements both quantitatively and qualitatively and determined the correction of these errors to be immaterial to the prior consolidated financial statements taken as a whole. As a result, the Company has corrected the misstatements in the accompanying financial statements. The misstatements had no impact on the net cash flows from operating, investing, or financing activities.

The following tables summarize the impact of the correction to the prior financial statements (in thousands):

	Year Ended December 31, 2016 (as Previously Reported)	Adjustments	Year Ended December 31, 2016 (as Corrected)
General and administrative	10,209	(542)	9,667
Total operating expenses	24,529	(542)	23,987
Operating income	5,270	542	5,812
Income (loss) before income taxes	(4,341)	542	(3,799)
Income tax benefit (expense)	1,489	(202)	1,287
Net income (loss)	(2,852)	340	(2,512)
Basic earnings (loss) per common share	(0.15)	0.02	(0.13)
Diluted earnings (loss) per common share	(0.15)	0.02	(0.13)

	December 31, 2016 (as Previously Reported)	Adjustments	December 31, 2016 (as Corrected)
Deferred income tax liabilities, net	$ 2,383	$ 202	$ 2,585
Total liabilities	223,628	202	223,830
Paid in capital	19,510	(542)	18,968
Accumulated deficit	(4,515)	340	(4,175)
Total shareholders' equity	15,191	(202)	14,989

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), which completes the joint effort between the FASB and International Accounting Standards Board to converge the recognition of revenue between the two boards. The new standard affects any entity using U.S. GAAP that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets not included within other FASB standards. The guiding principal of the new standard is that an entity should recognize revenue in an amount that reflects the consideration to which an entity expects to be entitled for the delivery of goods and services. ASU 2014-09 may be adopted using either of two acceptable methods: (1) retrospective adoption to each prior period presented with the option to elect certain practical expedients; or (2) adoption with the cumulative effect recognized at the date of initial application and providing certain disclosures. To assess at which time revenue should be recognized, an entity should use the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. For public business entities, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within the reporting period. For private companies, ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018 and interim reporting periods beginning after December 15, 2019. Earlier application is allowed in certain circumstances. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2019. The Company concluded this update does not have a material effect on the Company’s regulated and ICFA revenue. The American Institute of Certified Public Accountant's Power and Utility Entities Revenue Recognition Task Force has stated that nonexchange transactions, such as CIAC, are not within the scope of Topic 606, and, therefore, those transactions or events will continue to be recognized in accordance with other topics. The adoption of ASC 606 had no significant impact on the timing of revenue recognition compared to previously reported results; however, it requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and the related cash flows arising from contracts with customers.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”). ASU 2016-02 requires lessees to record a right-of-use asset and corresponding lease obligation for lease arrangements with a term of greater than twelve months. ASU 2016-02 requires additional disclosures about leasing arrangements and requires the use of the modified retrospective method, which will require adjustment to all comparative periods presented in the consolidated financial statements. This guidance will be effective for public companies for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. For all other entities, the guidance is effective for annual periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2020. The Company does not expect this update to have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 clarifies and provides specific guidance on eight cash flow classification issues that are not currently addressed by current U.S. GAAP and thereby reduce the current diversity in practice. This guidance is effective for public companies for annual periods beginning after December 15, 2017 and interim periods within those annual periods. For all other entities, the guidance is effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2019. The Company plans to adopt ASU 2016-15 during the first quarter of fiscal year 2019 and has determined that this standard is relevant to its presentation of distributions received from equity method investments. The Company is currently evaluating the impact of this amendment on distributions received from equity method investments and does not expect it to have a material impact on its statement of cash flows.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740) Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”). ASU 2016-16 instructs entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs (compared to current U.S. GAAP which prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party). The guidance is effective for public companies for annual periods beginning after December 15, 2017 and interim periods within those annual periods. For all other entities, the guidance is effective for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2019. The guidance is required to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The Company does not transfer assets between entities and is therefore not impacted by this new accounting standard.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force) (“ASU 2016-18”). ASU 2016-18 requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. The guidance is effective for public companies for annual periods beginning after December 15, 2017, and interim periods within those annual periods. For all other entities, the guidance is effective for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2019. The guidance should be applied using a retrospective transition method for each period presented. The Company will include restricted cash with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. The Company plans to adopt ASU 2016-18 during the first quarter of 2019 and apply the standard retrospectively for all periods presented. The Company does not expect it will have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (“ASU 2017-01”). ASU 2017-01 provides a more robust framework to use in determining when a set of assets and activities is a business. Also, the amendments provide more consistency in applying the guidance, reducing the costs of application, and make the definition of a business more operable. The guidance is effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. For all other entities, the guidance is effective for annual periods beginning after December 15, 2018, and interim periods with annual periods beginning after December 15, 2019. Early adoption is permitted. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2019. This standard is effective on a prospective basis, and therefore does not affect the accounting treatment for any previous transactions. The Company will evaluate the impacts of adopting ASU 2017-01 based on facts and circumstances prospectively as transactions occur.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). ASU 2017-04 eliminates Step 2 from the impairment test which requires entities to determine the implied fair value of goodwill to measure if any impairment charge is necessary. Instead, entities will record impairment charges based on the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. For public companies, the provisions of ASU 2017-04 are to be applied on a retrospective basis and are effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted. For all other entities, the guidance is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2022. The Company is currently assessing the impact that adopting this new accounting standard will have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation (Topic 718) Improvements to Nonemployee Share-Based Payment Accounting (“ASU 2018-07”). ASU 2018-07 simplifies the accounting for share-based payments made to nonemployees so the accounting for such payments is substantially the same as those made to employees. Share based awards to nonemployees will be measured at fair value on the grant date of the awards, entities will need to assess the probability of satisfying performance conditions if any are present, and awards will continue to be classified according to Accounting Standards Codification 718 upon vesting which eliminates the need to reassess classification upon vesting, consistent with awards granted to employees. This guidance will be effective for public companies for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2020. Early adoption is permitted. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements.

In July 2018, the FASB issued ASU 2018-09, Codification Improvements ("ASU 2018-09"). ASU 2018-09 clarifies, corrects errors in, or makes minor improvements to the accounting standards codification. The effective date of the standard is dependent on the facts and circumstances of each amendment. A majority of the amendments in ASU 2018-09 will be effective for public companies for annual periods beginning after December 15, 2018. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2020. Early adoption is permitted. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements.

In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842 ("ASU 2018-10"). ASU 2018-10 improves various aspects within ASC 842, such as rate implicit in the lease, lessee's reassessment of lease classification, lease term and purchase option, as well as many other aspects of the guidance. The ASU is effective when the entity adopts ASC 842, which will be January 1, 2020 for the Company. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements.

In July 2018, the FASB issued ASU 2018-11, Leases Topic 842, Targeted Improvements ("ASU 2018-11"). ASU 2018-11 provides entities the option to elect not to recast the comparative periods presented when transitioning to ASC 842 and lessors may elect not to separate lease and non-lease components when certain conditions are met. The ASU is effective when the entity adopts ASC 842, which will be January 1, 2020 for the Company. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820) ("ASU 2018-13"). ASU 2018-13 changes the fair value disclosure requirements including new, eliminated, and modified disclosure requirements of ASC 820. Specifically, the ASU requires the addition of disclosures for Level 3 fair value measurements with unrealized gains and losses included in other comprehensive income and disclosure of the range of the weighted average used to develop significant unobservable inputs for Level 3 measurements. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (Topic 350) ("ASU 2018-15"). ASU 2018-15 amends ASC 350 to include in its scope implementation costs of a Cloud Computing Arrangement ("CCA") that is a service contract and clarifies that a customer should apply ASC 350-40 to determine which implementation costs should be capitalized in a CCA that is considered a service contract. This guidance will be effective for public companies for annual periods, and interim periods within those annual periods, beginning after December 15, 2019. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Due to qualifying as an emerging growth company, the Company is required to adopt the ASU on January 1, 2021. Early adoption is permitted, including adoption in any interim period, for all entities. The Company is currently assessing the impact that adopting this new standard will have on its consolidated financial statements.

2. REGULATORY DECISION AND RELATED ACCOUNTING AND POLICY CHANGES

Our regulated utilities and certain other balances are subject to regulation by the ACC and meet the requirements for regulatory accounting found within ASC Topic 980, Regulated Operations.

In accordance with ASC Topic 980, rates charged to utility customers are intended to recover the costs of the provision of service plus a reasonable return in the same period. Changes to the rates are made through formal rate applications with the ACC, which we have done for all of our operating utilities and which are described below.

On July 9, 2012, we filed formal rate applications with the ACC to adjust the revenue requirements for seven utilities representing a collective rate increase of approximately 28% over 2011 revenue levels. In August 2013, the Company entered into a settlement agreement with ACC Staff, the Residential Utility Consumers Office, the City of Maricopa, and other parties to the rate case. The settlement required approval by the ACC's Commissioners before it could take effect. In February 2014, the rate case proceedings were completed and the ACC issued Rate Decision No. 74364, effectively approving the settlement agreement. The rulings of the decision include, but are not limited to, the following:

- For the Company's utilities, adjusting for the condemnation of the operations and assets of Valencia and sale of Willow Valley Water Co., Inc. ("Willow Valley"), which occurred in 2015 and 2016, respectively, a collective revenue requirement increase of $3.6 million based on 2011 test year service connections, phased-in over time, with the first increase in January 2015 as follows (in thousands, not updated for the TCJA, refer to Note 1 — "Basis of Presentation, Corporate Transactions, Significant Accounting Policies, and Recent Accounting Pronouncements — Corporate Transactions — ACC Tax Docket" for further details):

	Incremental	Cumulative
2015	$ 1,083	$ 1,083
2016	887	1,970
2017	335	2,305
2018	335	2,640
2019	335	2,975
2020	335	3,310
2021	335	3,645

Whereas this phase-in of additional revenues was determined using a 2011 test year, to the extent that the number of active service connections increases from 2011 levels, the additional revenues may be greater than the amounts set forth above. On the other hand, if active connections decrease or we experience declining usage per customer, we may not realize all of the anticipated revenues.

- Full reversal of the imputation of CIAC balances associated with funds previously received under ICFAs, as required in the Company's last rate case. The reversal restored rate base or future rate base and had a significant impact of restoring shareholder equity on the balance sheet.
- The Company has agreed to not enter into any new ICFAs. Existing ICFAs will remain in place, but a portion of future payments to be received under the ICFAs will be considered as hook-up fees, which are accounted for as CIAC once expended on plant.
- A 9.5% return on common equity was adopted.

On September 20, 2018, the ACC issued Rate Decision No. 76901, which set forth the reductions in revenue for our Santa Cruz, Palo Verde, Greater Tonopah, and Northern Scottsdale utilities due to the TCJA. Rate Decision No. 76901 adopted a phase-in approach for the reductions to match the phase-in of our revenue requirements under Rate Decision No. 74364. Refer to Note 1 — "Basis of Presentation, Corporate Transactions, Significant Accounting Policies, and Recent Accounting Pronouncements — Corporate Transactions — ACC Tax Docket" for details regarding Rate Decision No. 76901.

The following provides additional discussion on accounting and policy changes resulting from Rate Decision No. 74364.

Infrastructure Coordination and Financing Agreements – ICFAs are agreements with developers and homebuilders whereby GWRI, the indirect parent of the operating utilities, provides services to plan, coordinate, and finance the water and wastewater infrastructure that would otherwise be required to be performed or subcontracted by the developer or homebuilder.

Under the ICFAs, GWRI has a contractual obligation to ensure physical capacity exists through its regulated utilities for water and wastewater to the landowner/developer when needed. This obligation persists regardless of connection growth. Fees for these services are typically a negotiated amount per equivalent dwelling unit for the specified development or portion of land. Payments are generally due in installments, with a portion due upon signing of the agreement, a portion due upon completion of certain milestones, and the final payment due upon final plat approval or sale of the subdivision. The payments are non-refundable. The agreements are generally recorded against the land and must be assumed in the event of a sale or transfer of the land. The regional planning and coordination of the infrastructure in the various service areas has been an important part of GWRI's business model.

Prior to January 1, 2010, GWRI accounted for funds received under ICFAs as revenue once the obligations specified in the ICFA were met. As these arrangements are with developers and not with the end water or wastewater customer, the timing of revenue recognition coincided with the completion of GWRI's performance obligations under the agreement with the developer and with GWRI's ability to provide fitted capacity for water and wastewater service through its regulated subsidiaries.

The 2010 Regulatory Rate Decision No. 71878 established new rates for the recovery of reasonable costs incurred by the utilities and a return on invested capital. In determining the new annual revenue requirement, the ACC imputed a reduction to rate base for all amounts related to ICFA funds collected by the Company that the ACC deemed to be CIAC for rate making purposes. As a result of the decision by the ACC, GWRI changed its accounting policy for the accounting of ICFA funds. Effective January 1, 2010, GWRI recorded ICFA funds received as CIAC. Thereafter, the ICFA-related CIAC was amortized as a reduction of depreciation expense over the estimated depreciable life of the utility plant at the related utilities.

With the issuance of Rate Decision No. 74364, in February 2014, the ACC again changed how ICFA funds would be characterized and accounted for going forward. Most notably, the ACC changed the rate treatment of ICFA funds, and ICFA funds already received would no longer be deemed CIAC for rate making purposes. In conjunction with Rate Decision No. 74364, we eliminated the CIAC liability and reversed the associated regulatory liability brought about by the 2010 ruling. ICFA funds already received or which had become due prior to the date of Rate Decision No. 74364 were accounted for in accordance with the Company's ICFA revenue recognition policy that had been in place prior to the 2010 Regulatory Rate Decision, wherein the funds received are recognized as revenue once the obligations specified in the ICFA were met. Rate Decision No. 74364 prescribes that of the ICFA funds which come due and are paid subsequent to December 31, 2013, 70% of the ICFA funds will be recorded in the associated utility subsidiary as a hook-up fee ("HUF") liability, with the remaining 30% to be recorded as deferred revenue, which the Company accounts for in accordance with the Company's ICFA revenue recognition policy. A HUF tariff, specifying the dollar value of a HUF for each utility, was approved by the ACC as part of Rate Decision No. 74364. The Company is responsible for assuring the full HUF value is paid from ICFA proceeds, and recorded in its full amount, even if it results in recording less than 30% of the ICFA fee as deferred revenue.

The Company will account for the portion allocated to the HUF as a CIAC contribution. However, in accordance with the ACC directives the CIAC is not deducted from rate base until the HUF funds are expended for utility plant. Such funds will be segregated in a separate bank account and used for plant. A HUF liability will be established and will be amortized as a reduction of depreciation expense over the useful life of the related plant once the HUF funds are utilized for the construction of plant. For facilities required under a HUF or ICFA, the utilities must first use the HUF moneys received, after which, it may use debt or equity financing for the remainder of construction. The Company will record 30% of the funds received, up until the HUF liability is fully funded, as deferred revenue, which is to be recognized as revenue once the obligations specified within the ICFA are met, including construction of sufficient operating capacity to serve the customers for which revenue was deferred. As of December 31, 2018 and December 31, 2017, ICFA deferred revenue recorded on the consolidated balance sheet totaled $17.4 million and $19.7 million, respectively, which represents deferred revenue recorded for ICFA funds received on contracts that had become due prior to Rate Decision No. 74364. For ICFA contracts coming due after December 31, 2013, as funding is received approximately 30% will be added to this balance with the remaining 70% recorded to a HUF liability, until the HUF liability is fully funded at which time any funding greater than the HUF liability will be recorded as deferred revenue.

ICFA Revenue Recognition - The Company will recognize ICFA revenue when the following conditions are met:

- the fee is fixed and determinable;
- the cash received is nonrefundable;
- capacity currently exists to serve the specific lots; and
- there are no additional significant performance obligations.

For the twelve months ended December 31, 2018, the Company recognized $2.5 million of ICFA revenue, which primarily resulted from additional capacity added to a wastewater plant.

Intangible assets / Regulatory liability – The Company previously recorded certain intangible assets related to ICFA contracts obtained in connection with our Santa Cruz, Palo Verde, and Sonoran acquisitions. The intangible assets represented the benefits to be received over time by virtue of having those contracts. Prior to January 1, 2010, the ICFA-related intangibles were amortized when ICFA funds were recognized as revenue. Effective January 1, 2010, in connection with the 2010 Regulatory Rate Decision, these assets became fully offset by a regulatory liability of $11.2 million since the imputation of ICFA funds as CIAC effectively resulted in the Company not being able to benefit

(through rates) from the acquired ICFA contracts.
Effective January 1, 2010, the gross ICFAs intangibles began to be amortized when cash was received in proportion to the amount of total cash expected to be received under the underlying agreements. However, such amortization expense was offset by a corresponding reduction of the regulatory liability in the same amount.

As a result of Rate Decision No. 74364, the Company changed its policy around the ICFA related intangible assets. As discussed above, pursuant to Rate Decision No. 74364, approximately 70% of ICFA funds to be received in the future will be recorded as a HUF, until the HUF is fully funded at the Company's applicable utility subsidiary. The remaining approximate 30% of future ICFA funds will be recorded at the parent company level and will be subject to the Company's ICFA revenue recognition accounting policy. As the Company now expects to experience an economic benefit from the approximately 30% portion of future ICFA funds, 30% of the regulatory liability, or $3.4 million, was reversed in 2014. The remaining 70% of the regulatory liability, or $7.9 million, will continue to be recorded on the balance sheet.

Subsequent to Rate Decision No. 74364, the intangible assets will continue to amortize when the corresponding ICFA funds are received in proportion to the amount of total cash expected to be received under the underlying agreements. The recognition of amortization expense will be partially offset by a corresponding reduction of the regulatory liability.

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment at December 31, 2018 and December 31, 2017 consist of the following (in thousands):

	December 31, 2018	December 31, 2017	Average Depreciation Life (in years)
Mains/lines/sewers	$131,768	$117,381	47
Plant	81,471	72,863	25
Equipment	37,392	29,904	10
Meters	13,606	12,693	12
Furniture, fixture and leasehold improvements	371	368	8
Computer and office equipment	639	720	5
Software	241	242	3
Land and land rights	897	861	
Other	589	428	
Construction work-in-process	45,174	53,591	
Total property, plant and equipment	312,148	289,051	
Less accumulated depreciation	(85,093)	(75,592)	
Net property, plant and equipment	$227,055	$213,459	

4. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2018 and December 31, 2017 consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Billed receivables	$ 1,633	$ 1,691
Less allowance for doubtful accounts	(145)	(163)
Accounts receivable – net	$ 1,488	$ 1,528

The following table summarizes the allowance for doubtful accounts activity as of and for the years ended December 31, 2018, December 31, 2017, and December 31, 2016 (in thousands).

	Balance at Beginning of Period	Additions Charged to Expense	Charged to Other Accounts	Write-offs	Balance at End of Period
Allowance for doubtful accounts:					
Year Ended December 31, 2018	$ (163)	$ (143)	$ 5	$ 156	$ (145)
Year Ended December 31, 2017	$ (76)	$ (125)	$ —	$ 38	$ (163)
Year Ended December 31, 2016	$ (194)	$ (52)	$ —	$ 170	$ (76)

5. EQUITY METHOD INVESTMENT

On June 5, 2013, the Company sold Global Water Management, LLC (“GWM”), a wholly-owned subsidiary of GWRI, that owned and operated the FATHOM Water Management Holdings, LLP ("FATHOM™") business. In connection with the sale of GWM, the Company made a $1.6 million investment in FATHOM™ (the "FATHOM™ investment”). This limited partnership investment is accounted for under the equity method due to the FATHOM™ investment being considered more than minor.

In March 2017, FATHOM™ completed a round of financing, wherein our ownership percentage was reduced from 8.0% to 7.1% on a fully diluted basis. In conjunction with the recapitalization, the Company's equity interest was adjusted in accordance with ASC 323, Investments-Equity Method and Joint Ventures, wherein we recorded a $0.2 million gain for the year ended December 31, 2017. The adjustment to the carrying value of the FATHOM™ investment was calculated using our proportionate share of FATHOM™'s adjusted net equity. The gain was recorded within other income and expense in our consolidated statement of operations in the first quarter of 2017. The carrying value of the FATHOM™ investment consisted of a balance of $0.1 million as of December 31, 2018 and $0.3 million as of December 31, 2017, and reflects our initial investment, the adjustments related to subsequent rounds of financing, and our proportionate share of FATHOM™'s cumulative earnings.

We evaluate the FATHOM™ investment for impairment whenever events or changes in circumstances indicate that the carrying value of the FATHOM™ investment may have experienced an “other-than-temporary” decline in value. Since the sale of GWM, the losses incurred on the FATHOM™ investment were greater than anticipated; however, based upon our evaluation of various relevant factors, including the most recent round of financing and the ability of FATHOM™ to achieve and sustain an earnings capacity that would justify the carrying amount of the FATHOM™ investment, we do not believe the FATHOM™ investment to be impaired as of December 31, 2018.

We have evaluated whether the FATHOM™ investment qualifies as a variable interest entity (“VIE”) pursuant to the accounting guidance of ASC 810, Consolidations. Considering the potential that the total equity investment in the FATHOM™ investment may not be sufficient to absorb the losses of the FATHOM™ investment, the Company currently views the FATHOM™ investment as a VIE. However, considering the Company’s minority interest and limited involvement with the FATHOM™ business, the Company is not required to consolidate FATHOM™. Rather, the Company has accounted for the FATHOM™ investment under the equity method.

6. ACQUISITIONS

Acquisition of Turner

On May 30, 2018, the Company acquired all of the equity of Turner, a non-potable irrigation water utility in Mesa, Arizona, for total consideration of $2.8 million. This acquisition is consistent with the Company's declared strategy of making accretive acquisitions. At the time of acquisition, Turner had 963 residential irrigation connections and approximately seven square miles of service area. The acquisition was accounted for as a business combination under ASC Topic 805, "Business Combinations." The purchase price was allocated to the acquired utility assets and liabilities assumed based on the seller's book value at acquisition as the historical cost of these assets and liabilities will be the amounts that will continue to be reflected in customer rates.

A preliminary purchase price allocation of the net assets acquired in the transaction is as follows (in thousands):

Net assets acquired:	
Cash	$176
Accounts receivable	121
Gross property, plant and equipment	4,495
Construction work-in-progress	92
Accumulated depreciation	(3,554)
Accounts payable	(30)
Accrued expenses	(46)
Total net assets assumed	1,254
Goodwill	1,546
Total purchase price	$2,800

The revenue and earnings recognized post acquisition and the pro forma effect of the business acquired are not material to the Company's financial position or results of operations.

Acquisition of Red Rock Utilities

On October 16, 2018, the Company completed the acquisition of Red Rock, an operator of a water and a wastewater utility with service areas in the Pima and Pinal counties of Arizona, for a purchase price of $5.9 million. This acquisition is consistent with the Company's declared strategy of making accretive acquisitions. The acquisition added over 1,650 connections and approximately nine square miles of service area.
The acquisition was accounted for as a business combination under ASC Topic 805, "Business Combinations." The purchase price was allocated to the acquired utility assets and liabilities assumed based on the seller's book value at acquisition as the historical cost of these assets and liabilities will be the amounts that will continue to be reflected in customer rates.

A preliminary purchase price allocation of the net assets acquired in the transaction is as follows (in thousands):

Net assets acquired:	
Accounts receivable	$111
Gross property, plant and equipment	19,838
Construction work-in-progress	748
Accumulated depreciation	(6,567)
Prepaids	12
Intangibles[1]	200
Accounts payable	(26)
Other taxes	(14)
Other accrued liabilities	(45)
Customer and meter deposits	(76)
AIAC	(3,423)
CIAC - Net	(6,000)
Total net assets assumed	4,758
Goodwill	1,093
Total purchase price	$5,851

[1] Intangibles consist of franchise contract rights and organization costs. Refer to Note 7 — "Goodwill & Intangible Assets" for additional information regarding the intangibles.
The revenue and earnings recognized post acquisition and the pro forma effect of the business acquired are not material to the Company's financial position or results of operations.

7. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As of December 31, 2018, the goodwill balance of $2.6 million related to the Turner and Red Rock acquisitions. There were no indicators of impairment identified as a result of the Company's review of events and circumstances related to its goodwill subsequent to the acquisitions. Based on our annual impairment testing performed on November 1st, no impairment was recorded. Refer to Note 6 — "Acquisitions" for additional information regarding the acquisitions.

Intangible Assets

As of December 31, 2018 and December 31, 2017 intangible assets consisted of the following (in thousands):

	December 31, 2018			December 31, 2017		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
INDEFINITE LIVED INTANGIBLE ASSETS:						
CP Water Certificate of Convenience & Necessity service area	$1,532	$ —	$1,532	$1,532	$ —	$1,532
Intangible trademark	13	—	13	13	—	13
Franchise contract rights	134	—	134	—	—	—
Organization intangible	66	—	66	—	—	—
	1,745	—	1,745	1,545	—	1,545
AMORTIZED INTANGIBLE ASSETS:						
Acquired ICFAs	17,978	(12,154)	5,824	17,978	(12,154)	5,824
Sonoran contract rights	7,406	(2,003)	5,403	7,406	(2,003)	5,403
	25,384	(14,157)	11,227	25,384	(14,157)	11,227
Total intangible assets	$27,129	$ (14,157)	$12,972	$26,929	$ (14,157)	$12,772

Acquired ICFAs and contract rights related to our 2005 acquisition of Sonoran Utility Services, LLC assets are amortized when cash is received in proportion to the amount of total cash expected to be received under the underlying agreements. Due to the uncertainty of the timing of when cash will be received under ICFA agreements and contract rights, we cannot reliably estimate when the remaining intangible assets' amortization will be recorded. No amortization was recorded for these balances for the years ended December 31, 2018 and 2017.

Franchise contract rights and organization intangible were acquired as part of the Red Rock acquisition. Franchise contract rights are agreements with Pima and Pinal counties that allow the Company to place infrastructure in public right-of-way and permits expected to be renewable indefinitely. Organization intangible represents fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation and preparing it to conduct business. Refer to Note 6 — "Acquisitions" for additional information regarding the acquisition.

8. TRANSACTIONS WITH RELATED PARTIES

The Company provides medical benefits to our employees through our participation in a pooled plan sponsored by an affiliate of a shareholder and director of the Company. Medical claims paid to the plan were approximately $0.5 million, $0.3 million, and $0.5 million for the years ended December 31, 2018, 2017, and 2016, respectively.

As GWM was previously owned by the Company, it has historically provided billing, customer service, and other support services for the Company's regulated utilities pursuant to a services agreement with GWM whereby the Company has agreed to use the FATHOM™ platform for all of its regulated utility services for an initial term of 10 years. The services agreement was amended on November 17, 2016, which extended the term of the contract through December 31, 2026. As part of the amended agreement, the Company reduced the monthly rate per connection from $7.79 per water account/month to $6.24 per water account/month. Additionally, the scope of services was expanded to include a meter replacement program of approximately $11.4 million, wherein the Company replaced a majority of its meter infrastructure. As of December 31, 2018, $11.1 million has been paid to GWM in connection with the meter exchange program, and $350,000 remains to be paid to GWM pending completion pursuant to the terms of the services agreement. Amounts collected by GWM from the Company's customers that GWM has not yet remitted to the Company are included within the "Due from affiliates" caption on the Company's consolidated balance sheet. As of December 31, 2018 and December 31, 2017, the unremitted balance totaled $0.4 million. Based on current service connections, annual fees to be paid to GWM for FATHOM™ services will be approximately $1.7 million at a rate of $6.43 per water account/month, which is subject to annual adjustments based on the terms of the agreement. For the years ended December 31, 2018, 2017, and 2016, the Company incurred FATHOM™ service fees of approximately $1.6 million, $1.5 million, and $1.9 million, respectively.

The services agreement is automatically renewable for successive 10-year periods, unless notice of termination is given prior to any renewal period. The services agreement may be terminated by either party for default only and the termination of the services agreement will also result in the termination of the royalty payments (described below) payable to the Company. Pursuant to the purchase agreement for the sale of GWM, the Company is entitled to quarterly royalty payments based on a percentage of certain of GWM's recurring revenues for a 10-year period, up to a maximum of $15.0 million, of which $2.0 million has been received over the five year period. The Company made the election to record these quarterly royalty payments prospectively in income as the amounts are earned. Royalties recorded within other income totaled approximately $0.4 million for each of the years ended December 31, 2018, 2017, and 2016 respectively.

9. ACCRUED EXPENSES

Accrued expenses at December 31, 2018 and December 31, 2017 consist of the following (in thousands):

	December 31, 2018	December 31, 2017
Deferred compensation	$ 2,305	$ 2,171
Property taxes	1,073	989
Meter replacement - related party	350	717
Interest	478	468
Dividend payable	512	464
Asset retirement obligation	555	427
Other accrued liabilities	2,192	2,016
Total accrued expenses	$ 7,465	$ 7,252

10. FAIR VALUE

Fair Value of Financial Instruments

FASB ASC 820 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three levels, as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than Level 1 that are either directly or indirectly observable
- Level 3 - Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that the Company believes market participants would use.

Financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and December 31, 2017 were as follows (in thousands):

	December 31, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset/Liability Type:								
HUF Funds - restricted cash(1)	$—	$9	$ —	$9	$—	$9	$ —	$9
Certificate of Deposit(2)	3,000	—	—	3,000	—	—	—	—
Demand Deposit(2)	7,043	—	—	7,043	—	—	—	—
Certificate of Deposit - Restricted(1)	—	432	—	432	—	427	—	427
Long-term debt(3)	—	107,860	—	107,860	—	115,749	—	115,749
Total	$10,043	$108,301	$ —	$118,344	$—	$116,185	$ —	$116,185

(1) HUF Funds - restricted cash and Certificate of Deposit - Restricted are presented on the Bond service fund and other restricted cash line item of the

Company's consolidated balance sheets. It is valued at amortized cost, which approximates fair value.
(2) Certificate of Deposit and Demand Deposit are presented on the Cash and cash equivalents line item of the Company's consolidated balance sheets. They are valued at amortized cost, which approximates fair value. The Certificate of Deposit has no withdrawal restrictions or penalties.
(3) The fair value of our debt was estimated based on interest rates considered available for instruments of similar terms and remaining maturities. Refer to Note 11 — "Debt" for further details.

11. DEBT

The outstanding balances and maturity dates for short-term (including the current portion of long-term debt) and long-term debt as of December 31, 2018 and December 31, 2017 are as follows (in thousands):

	December 31, 2018		December 31, 2017	
	Short-term	Long-term	Short-term	Long-term
BONDS AND NOTES PAYABLE -				
4.38% Series A 2016, maturing June 2028	$—	$28,750	$—	$28,750
4.58% Series B 2016, maturing June 2036	—	86,250	—	86,250
1.20% WIFA Loan, maturing October 2032	3	39	3	41
4.65% Harquahala Loan, maturing January 2021	5	9	5	15
4.60% WIFA Loan, maturing March 2037	1	12	—	—
	9	115,060	8	115,056
OTHER				
Capital lease obligations	38	96	—	—
Debt issuance costs	—	(649)	—	(693)
Total debt	$47	$114,507	$8	$114,363

2016 Senior Secured Notes

On June 24, 2016, the Company issued two series of senior secured notes with an aggregate total principal balance of $115.0 million at a blended interest rate of 4.55%. Series A carries a principal balance of $28.8 million and bears an interest rate of 4.38% over a twelve-year term, with the principal payment due on June 15, 2028. Series B carries a principal balance of $86.3 million and bears an interest rate of 4.58% over a 20-year term. Series B is interest only for the first five years, with $1.9 million principal payments paid semiannually thereafter. The proceeds of the senior secured notes were primarily used to refinance the previously outstanding long-term tax exempt bonds, which were subject to an early redemption option at 103%, plus accrued interest, as a result of the U.S. IPO. As part of the refinancing of the long-term debt, the Company paid a prepayment penalty of $3.2 million and wrote off the remaining $2.2 million in capitalized loan fees related to the tax exempt bonds, which were recorded as additional interest expense in the second quarter of 2016. The senior secured notes are collateralized by a security interest in the Company’s equity interest in its subsidiaries, including all payments representing profits and qualifying distributions. Debt issuance costs as of December 31, 2018 and December 31, 2017 were $0.6 million and $0.7 million, respectively.

The senior secured notes require the Company to maintain a debt service coverage ratio of consolidated EBITDA to consolidated debt service of at least 1.10 to 1.00. Consolidated EBITDA is calculated as net income plus depreciation, taxes, interest and other non-cash charges net of non-cash income. Consolidated debt service is calculated as interest expense, principal payments, and dividend or stock repurchases. The senior secured notes also contain a provision limiting the payment of dividends if the Company falls below a debt service ratio of 1.25. However, for the quarter ending June 30, 2021 through the quarter ending March 31, 2024, the ratio drops to 1.20. As of December 31, 2018, the Company was in compliance with its financial debt covenants.

Eagletail Loans

In May 2017, the Company acquired Eagletail. As part of the acquisition, the Company assumed two unsecured loans held by Eagletail. These loans are payable to the Water Infrastructure Finance Authority of Arizona ("WIFA") and Harquahala Valley Community Benefits Foundation ("Harquahala"). The WIFA loan bears an interest rate of 1.20%

over a 20-year term, while the Harquahala loan bears an interest rate of 4.65% over a 15-year term.

In 2017, the Company entered into a second loan payable to WIFA ("2017 WIFA"), and no borrowings were made until 2018. The 2017 WIFA loan bears an interest rate of 4.60% over a 20-year term. The original loan amount was approximately $175,000, of which approximately $157,000 was forgiven. Refer to the table above for carrying balances as of December 31, 2018.

Revolving Credit Line

On April 20, 2018, the Company entered into an agreement with MidFirst Bank, a federally chartered savings association, for a two-year revolving line of credit up to $8.0 million, set to expire on April 30, 2020. The credit facility bears an interest rate of LIBOR plus 2.25%. As of December 31, 2018, the Company had no outstanding borrowings under this credit line. Unamortized debt issuance costs as of December 31, 2018 and December 31, 2017 were $0.1 million and $20,000, respectively.

The revolving credit line requires the Company to maintain a debt service coverage ratio of consolidated EBITDA to consolidated debt service of at least 1.10 to 1.00. The revolving credit line also contains a provision limiting the payment of dividends if the Company falls below a debt service ratio of 1.25. As of December 31, 2018, the Company was in compliance with its financial debt covenant.

Tax Exempt Bonds

We issued tax-exempt bonds through The Industrial Development Authority of the County of Pima in the amount of $36.5 million on December 28, 2006; $53.6 million, net of a discount of $511,000, on November 19, 2007; and $24.6 million on October 1, 2008. Proceeds from these bonds were used for qualifying costs of constructing and equipping the water and wastewater treatment facilities of our subsidiaries, Palo Verde and Santa Cruz. The tax-exempt bonds were redeemed in June 2016 with proceeds from the 2016 senior secured notes.

At December 31, 2018, the remaining aggregate annual maturities of debt and minimum lease payments under capital lease obligations for the years ended December 31 are as follows (in thousands):

	Debt	Capital Lease Obligations
2019	$9	$ 46
2020	10	45
2021	1,923	45
2022	3,837	13
2023	3,837	—
Thereafter	105,453	—
Subtotal	115,069	149
Less: amount representing interest	—	(15)
Total	$115,069	$ 134

12. INCOME TAXES

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2018 and December 31, 2017, the Company did not have any uncertain tax positions.

On December 22, 2017, President Trump signed into law the TCJA. Substantially all of the provisions of the TCJA are effective for taxable years beginning after December 31, 2017. The TCJA includes significant changes to the Internal Revenue Code of 1986, as amended (the “Code”), including amendments which significantly change the taxation of individuals and business entities, and includes specific provisions related to regulated public utilities. Among its significant provisions, the TCJA (i) reduces the federal corporate income tax rate from 35% to 21%; (ii) eliminates bonus depreciation for regulated utilities, but allows 100% expensing for the cost of qualified property for non-regulated businesses; (iii) eliminates the provisions that treated AIAC and CIAC provided to regulated water utilities as non-taxable; (iv) eliminates the domestic production activities deduction, and (v) limits the amount of net interest that can be deducted; however, this limitation is not applicable to regulated utilities and, therefore is not anticipated to have a material impact to the Company’s ability to deduct net interest. Non-regulated segments of the

Company’s business will be able to take advantage of the full expensing provisions of the TCJA.

Changes in the Code from the TCJA had a material impact on our financial statements in 2017. Under GAAP, specifically Accounting Standards Codification ("ASC") Topic 740, Income Taxes, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred income tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the Company's deferred income taxes were re-measured based upon the new tax rate. For the Company's regulated entities, substantially all of the change in deferred income taxes is recorded as an offset to either a regulatory asset or liability because the impact of changes in the rates are expected to be recovered from or refunded to customers. For deferred taxes related to the Company's unregulated operations, the change in deferred income taxes is recorded as a non-cash re-measurement adjustment to earnings. The re-measurement of deferred income taxes at the new federal tax rate decreased income tax expense by $2.3 million for the year ended December 31, 2017. Additionally, the Company recorded a net regulatory asset of $1.3 million.
Following the enactment of the TCJA, the staff of the U.S. Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin 118 — "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118) which provides for a measurement period of up to one year from the enactment date to complete accounting under GAAP for the tax effects of the legislation. During 2018 the Company finalized the measurement and accounting of enactment date effects of the TCJA on deferred income tax assets and liabilities and related regulatory assets and liabilities which have been reflected in these financial statements, resulting in no change to the provisional estimates recorded in 2017.
The income tax benefit from continuing operations for the years ended December 31, 2018, December 31, 2017, and December 31, 2016 is comprised of the following (in thousands):

	2018		
	Federal	State	Total
Current income tax expense	$487	$—	$487
Deferred income tax expense (benefit)	1,094	201	1,295
Income tax expense (benefit)	$1,581	$201	$1,782

	2017		
	Federal	State	Total
Current income tax expense	$138	$—	$138
Deferred income tax benefit	(993)	254	$(739)
Income tax benefit	$(855)	$254	$(601)

	2016		
	Federal	State	Total
Current income tax expense	$121	$—	$121
Deferred income tax expense	(1,285)	(123)	(1,408)
Income tax expense	$(1,164)	$(123)	$(1,287)

The income tax benefit for the years ended December 31, 2018, 2017, and 2016 differs from the amount that would be computed using the federal statutory income tax rate due to the following (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Computed federal tax expense (benefit) at statutory rate	$1,026	$1,343	$(1,291)
State income taxes - net of federal tax benefit	190	126	(123)
Regulatory liability TCJA phase-in	326	—	—
Federal tax rate change	—	(2,296)	—
Tax Regulatory Asset Amortization	44	—	—
IRC Section 453A interest	161	113	121
Equity compensation	33	83	—
Other differences	2	30	6
Income tax expense	$1,782	$(601)	$(1,287)

-29-

ASC Topic 740, Income Taxes, prescribes the method to determine whether a deferred tax asset is realizable and significant weight is given to evidence that it can be objectively verified. As of December 31, 2018 and 2017, the Company recorded no valuation allowance.

The following table summarizes the Company's temporary differences between book and tax accounting that give rise to the deferred tax assets and deferred tax liabilities, as of December 31, 2018 and 2017 (in thousands):

	December 31, 2018	December 31, 2017
DEFERRED TAX ASSETS:		
Taxable meter deposits	$ 23	$ 33
Net operating loss carry forwards	2,343	2,087
Balterra intangible asset acquisition	224	224
Deferred gain on Sale of GWM	1,086	1,132
Deferred gain on ICFA funds received	4,317	4,911
Equity investment loss	407	341
Property, plant and equipment	—	—
AIAC	332	—
Other	958	1,040
Total deferred tax assets	9,690	9,768
Valuation allowance	—	—
Net deferred tax asset	9,690	9,768
DEFERRED TAX LIABILITIES:		
Regulatory liability	(301)	(315)
CP Water intangible asset acquisition	(381)	(381)
ICFA intangible asset	(818)	(577)
Property, plant and equipment	(9,773)	(4,392)
Gain on condemnation of Valencia	(2,145)	(7,217)
Other Liabilities	(623)	—
Total deferred tax liabilities	(14,041)	(12,882)
Net deferred tax liability	$ (4,351)	$ (3,114)

As of December 31, 2018, we have approximately $10.4 million in federal net operating loss ("NOL") carry forwards and $4.0 million in state NOLs available to offset future taxable income, with federal and state NOLs expiring in 2031-2036 and 2032-2036, respectively.

The effective tax rates used for the years ended December 31, 2018, 2017, and 2016 were 34.6%, (15.2%), and 33.9%, respectively. The effective tax rate for the year ended December 31, 2018 was greater than the federal statutory rate of 21% primarily due to the impact of the regulatory liability recorded as a result of Rate Decision No. 76901, state income tax and IRC Section 4534 interest.

13. DEFERRED COMPENSATION AWARDS

Stock-based compensation

Stock-based compensation related to option awards is measured based on the fair value of the award. The fair value of stock option awards is determined using a Black-Scholes option-pricing model. We recognize compensation expense associated with the options over the vesting period.

2016 stock option grant

In May 2016, GWRI’s Board of Directors granted stock options to acquire 325,000 shares of GWRI’s common stock to the members of the board. The options were granted with an exercise price of $7.50, the market price of the Company’s common shares on the NASDAQ Global Market at the close of business on May 20, 2016. The options vested over a two-year period, with 50% having vested in May 2017 and 50% having vested in May 2018. The options have a three-year life. The Company expensed the $0.3 million fair value of the stock option grant ratably over the two-year vesting period in accordance with ASC 323. Stock-based compensation expense of $0.1 million, $0.2 million, and $0.1 million was recorded for the years ended December 31, 2018, 2017, and 2016, respectively. As of December 31, 2018, 225,000 options have been exercised with 100,000 outstanding. Of the 225,000 options exercised, 75,000 shares were exercised utilizing a cashless exercise, which resulted in an increase in shares outstanding of 15,826 as well as 59,174 shares recorded to treasury stock.

2017 stock option grant

In August 2017, GWRI's Board of Directors granted stock options to acquire 465,000 shares of GWRI's common stock to employees throughout the Company. The options were granted with an exercise price of $9.40, the market price of the Company's common shares on the NASDAQ Global Market at the close of business on August 10, 2017. The options vest over a four-year period, with 25% having vested in August 2018, 25% vesting in August 2019, 25% vesting in August 2020, and 25% vesting in August 2021. The options have a 10-year life. The Company will expense the $1.1 million fair value of the stock option grant ratably over the four-year vesting period in accordance with ASC 323. Stock-based compensation expense of $0.3 million and $0.1 million was recorded for the years ended December 31, 2018 and December 31, 2017, respectively. No stock-based compensation expense was recorded for the year ended December 31, 2016. As of December 31, 2018, 4,204 options have been exercised and 62,300 options have been forfeited with 398,496 outstanding.

A summary of stock option activity is as follows (in thousands, except option prices and years):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Options Outstanding at December 31, 2015	—	$ —		
Granted	325	7.50		
Exercised	—			
Forfeited	—			
Cancelled	—			
Options Outstanding at December 31, 2016	325	$ 7.50		
Granted	465	9.40		
Exercised	(50)	7.50		
Forfeited	—			
Cancelled	—			
Options Outstanding at December 31, 2017	740	$ 8.69		
Granted	—			
Exercised	(179)	$ 7.54		
Forfeited	(62)	$ 9.40		
Cancelled	—			
Options Outstanding at December 31, 2018	498	$ 9.02	7.0	$ 558.9
Options Vested at December 31, 2018	196	$ 8.43	4.4	$ 335.4

Phantom stock compensation

On December 30, 2010, we adopted a phantom stock unit plan authorizing the directors of the Company to issue phantom stock units (‘‘PSUs’’) to our employees. Following the consummation of the Reorganization Transaction, the awarded PSUs have been amended such that the outstanding units track the value of GWRI’s share price. The vesting of the awards has not changed. The PSUs give rise to a right of the holder to receive a cash payment the value of which, on a particular date, is the preceding five-day weighted average price of the equivalent number of shares of GWRI at that date. The issuance of PSUs as a core component of employee compensation was intended to strengthen the alignment of interests between the employees of the Company and the shareholders of GWRI by linking their holdings and a portion of their compensation to the future value of the common shares of GWRI.

PSUs are accounted for as liability compensatory awards under ASC 710, Compensation – General, rather than as equity awards. PSU awards are remeasured each period and a liability is recorded equal to GRWI's closing share price as of the balance sheet date multiplied by the number of units vested and outstanding. The value of the benefits is recorded as an expense in the Company's financial statements over the related vesting period. Vesting occurs ratably over 12 consecutive quarters beginning in the period granted. The following table details total awards granted and the number of units outstanding as of December 31, 2018 along with the amounts paid to holders of the PSUs for the years ended December 31, 2018, 2017, and 2016 (in thousands, except unit amounts):

			Amounts Paid For the Year Ended December 31,		
Grant Date	Units Granted	Units Outstanding	2018	2017	2016
Q1 2013	76,492	—	—	—	29
Q1 2014	8,775	—	—	3	10
Q1 2015	28,828	—	22	90	65
Q1 2016	34,830	2,903	112	108	63
Q1 2017	22,712	9,463	73	53	—
Q1 2018	30,907	23,180	76	—	—
Total	202,544	35,546	$283	$254	$167

Stock appreciation rights compensation

Beginning January 2012, in an effort to reward employees for their performance, the Company adopted a stock appreciation rights plan authorizing the directors of the Company to issue stock appreciation rights ("SARs") to our employees. Following the consummation of the Reorganization Transaction, the value of the SARs issued under the plan track the performance of GWRI's shares. Each holder has the right to receive a cash payment amounting to the difference between the exercise price and the closing price of GWRI's common shares on the exercise date, provided that the closing price is in excess of the exercise price. Holders of SARs may exercise their awards once vested. Individuals who voluntarily or involuntarily leave the Company forfeit their rights under the awards.

The following table details the recipients of the SARs awards, the grant date, units granted, exercise price, outstanding units as of December 31, 2018 and amounts paid during the years ended December 31, 2018, 2017, and 2016 (in thousands, except unit and per unit amounts):

					Amounts Paid For the Year Ended December 31,		
Recipients	Grant Date	Units Granted	Exercise Price	Units Outstanding	2018	2017	2016
Key Executive (1)(3)	Q3 2013	100,000	$ 1.59	—	$166	$366	$151
Key Executive (1)(4)	Q4 2013	100,000	$ 2.69	—	183	312	137
Members of Management (1)(5)	Q1 2015	299,000	$ 4.26	178,000	—	—	112
Key Executives (2)(6)	Q2 2015	300,000	$ 5.13	210,000	447	—	—
Members of Management (1)(7)	Q3 2017	103,000	$ 9.40	103,000		—	—
Members of Management (1)(8)	Q1 2018	33,000	$ 8.99	33,000		—	—
Total		935,000		524,000	$796	$678	$400

(1) The SARs vest ratably over sixteen quarters from the grant date.

(2) The SARs vest over sixteen quarters, vesting 20% per year for the first three years, with the remainder, 40%, vesting in year four.

(3) The exercise price was determined by taking the weighted average GWRC share price of the five days prior to the grant date of July 1, 2013.

(4) The exercise price was determined by taking the weighted average GWRC share price of the 30 days prior to the grant date of November 14, 2013.

(5) The exercise price was determined to be the fair market value of one share of GWRC stock on the grant date of February 11, 2015.

(6) The exercise price was determined to be the fair market value of one share of GWRC stock on the grant date of May 8, 2015.

(7) The exercise price was determined to be the fair market value of one share of GWRI stock on the grant date of August 10, 2017.

(8) The exercise price was determined to be the fair market value of one share of GWRI stock on the grant date of March 12, 2018.

As a result of the merger of GWRC into the Company and the U.S. IPO, the exercise prices for the preceding awards granted prior to the merger were translated to U.S. dollars using the prevailing noon-day Bank of Canada foreign exchange rate of US$0.7969 per CAD$1.00 as measured on May 2, 2016, the day prior to the closing of the merger. The vesting of the awards has not changed. Subsequent to the merger, each SAR provides the holder the right to receive a cash payment amounting to the difference between the per share exercise price and the closing price of GWRI's common shares on the exercise date, provided that the closing price is in excess of exercise price per share.

For the years ended December 31, 2018, 2017, and 2016, the Company recorded approximately $1.2 million, $1.1 million, and $1.8 million of compensation expense related to the PSUs and SARs, respectively. Based on GWRI's closing share price on December 31, 2018 (the last trading date of the quarter), deferred compensation expense to be recognized over future periods is estimated for the years ending December 31 as follows (in thousands):

	PSUs	SARs
2019	181	261
2020	104	96
2021		96
2022	—	13
Total	$285	$466

14. SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental cash flow information for the years ended December 31, 2018, 2017, and 2016 (in thousands):

	For the Year Ended December 31,		
	2018	2017	2016
Supplemental cash flow information:			
Cash paid for interest	$5,221	$5,224	$5,969
Cash paid for GWRC tax liability	$—	$125	$—
Cash paid for bond prepayment fee	$—	$—	$3,201
Cash paid for taxes	$129	$120	$184
Non-cash financing and investing activities:			
Capital expenditures included in accounts payable and accrued liabilities	$834	$1,090	$2,909
Contributions in aid of construction - loan forgiveness	$127	$—	$—
Capital lease additions	$161	$—	$—
Equity method investment gain on recapitalization of FATHOM™	$—	$243	$—
Deferred compensation change in accounting principle	$—	$—	$103
Reclassification of deferred IPO costs to equity	$—	$—	$97

15. COMMITMENTS AND CONTINGENCIES

Commitments

Prior to the sale of GWM, we leased certain office space in Arizona under operating leases with terms that expired in February 2016. The operating lease agreements were between GWM and the landlord. Accordingly, effective June 2013 through February 2016, the Company was not a party under the lease agreements. GWRI subleased a portion of the office space covered under the GWM lease agreements. In February 2016, the Company entered into a three-year lease agreement with the landlord to occupy the same space previously subleased under GWM's lease agreements, inclusive of necessary facility upgrades. Beginning in March 2016, the Company began recording approximately $8,000 in monthly rent expense related to the new agreement. In September 2018, the lease agreement was amended to include the rental of additional office space for the period of September 1, 2018 through February 28, 2019. As such, the Company's monthly rent expense increased to approximately $15,000 beginning in September 2018. Rent expense arising from the operating leases totaled approximately $0.1 million for the years ended December 31, 2018, 2017, and 2016, respectively.

Contingencies

From time to time, in the ordinary course of business, the Company may be subject to pending or threatened lawsuits in which claims for monetary damages are asserted. Management is not aware of any legal proceeding of which the ultimate resolution could materially affect our financial position, results of operations, or cash flows.

16. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter			
	First	Second	Third	Fourth
Year Ended December 31, 2018				
Revenues	$7,425	$10,838	$8,999	$8,253
Operating income	$1,364	$4,104	$2,056	$1,745
Net income	$320	$2,256	$633	$(106)
Basic earnings per common share	$0.02	$0.11	$0.03	$—
Diluted earnings per common share	$0.02	$0.11	$0.03	$—

	Quarter			
	First	Second	Third	Fourth
Year Ended December 31, 2017				
Revenues	$6,791	$8,145	$8,472	$7,800
Operating income	$1,101	$1,712	$2,810	$1,721
Net income	$189	$425	$1,203	$2,734
Basic earnings per common share	$0.01	$0.02	$0.06	$0.14
Diluted earnings per common share	$0.01	$0.02	$0.06	$0.14

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements and Financial Statement Schedules.

Our consolidated financial statements are included in Part II, Item 8 of this Form 10-K/A. All other schedules for which provision is made in the applicable accounting regulations of the SEC are included in the consolidated financial statements, including the notes thereto, or are inapplicable, and therefore have been omitted.

(b) Exhibit

See Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Method of Filing
2.1.1	Arrangement Agreement	Incorporated by reference to Exhibit 2.1 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
2.1.2	Plan of Arrangement	Incorporated by reference to Exhibit 2.1.2 of Amendment No. 2 to the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on April 13, 2016
3.1	Second Amended and Restated Certificate of Incorporation of Global Water Resources, Inc.	Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the SEC on May 4, 2016
3.2	Amended and Restated Bylaws of Global Water Resources, Inc.	Incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed with the SEC on May 4, 2016
4.1	Form of Common Stock Certificate	Incorporated by reference to Exhibit 4.1 of Amendment No. 4 to the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on April 26, 2016
4.2	Form of 4.38% Senior Secured Notes, Series A due on June 15, 2028	Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on June 28, 2016
4.3	Form of 4.58% Senior Secured Notes, Series B due on December 15, 2036	Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on June 28, 2016
10.1	Settlement Agreement for Stipulated Condemnation with the City of Buckeye, Arizona, dated March 19, 2015	Incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.2	License Agreement with City of Maricopa, Arizona, dated November 9, 2006	Incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.3	Employment Agreement with Ron Fleming, dated December 18, 2017*	Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on December 22, 2017
10.4	Employment Agreement with Michael J. Liebman, dated December 18, 2017*	Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on December 22, 2017
10.5		

	Infrastructure Coordination Agreement with Pecan Valley Investments, LLC, dated January 28, 2004	Incorporated by reference to Exhibit 10.5 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.6	Infrastructure Coordination Agreement with JNAN, LLC, dated July 1, 2004	Incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.7	Infrastructure Coordination and Finance Agreement with Dana B. Byron and Jamie Maccallum, dated July 21, 2006	Incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.8	Infrastructure Coordination and Finance Agreement with The Orchard at Picacho, LLC, dated January 8, 2008	Incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.9	Infrastructure Coordination, Finance and Option Agreement with Sierra Negra Ranch, LLC, dated July 10, 2006	Incorporated by reference to Exhibit 10.9 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.10	Infrastructure Coordination and Finance Agreement, dated December 20, 2007	Incorporated by reference to Exhibit 10.10 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.11.1	GWR Global Water Resources Corp. Stock Option Plan*	Incorporated by reference to Exhibit 10.17.1 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.11.2	First Amendment to GWR Global Water Resources Corp. Stock Option Plan, dated September 12, 2012*	Incorporated by reference to Exhibit 10.17.2 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016

Exhibit Number	Description of Exhibit	Method of Filing
10.11.3	Second Amendment to GWR Global Water Resources Corp. Stock Option Plan*	Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on May 4, 2016
10.11.4	Third Amended to Global Water Resources, Inc. Stock Option Plan*	Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on March 13, 2018
10.12.1	Global Water Resources, Inc. First Amended and Restated Stock Appreciation Rights Plan, dated March 23, 2015*	Incorporated by reference to Exhibit 10.18 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.12.2	Amendment to Global Water Resources, Inc. First Amended and Restated Stock Appreciation Rights Plan*	Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on May 4, 2016
10.13.1	Global Water Resources, Inc. Deferred Phantom Stock Unit Plan, dated January 1, 2011*	Incorporated by reference to Exhibit 10.19 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.13.2	Amendment to Global Water Resources, Inc. Deferred Phantom Stock Unit Plan*	Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on May 4, 2016
10.13.3	Second Amendment to Global Water Resources, Inc. Deferred Phantom Stock Unit Plan*	Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on August 8, 2017
10.13.4	Third Amendment to Global Water Resources, Inc. Deferred Phantom Stock Unit Plan*	Incorporated by reference to Exhibit 10.1 of the Company's

		Current Report on Form 8-K filed with the SEC on December 6, 2017
10.13.5	Fourth Amendment to Global Water Resources, Inc. Deferred Phantom Stock Unit Plan*	Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on March 13, 2018
10.14.1	Global Water Resources, Inc. Phantom Stock Unit Plan, dated May 1, 2015*	Incorporated by reference to Exhibit 10.20 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.14.2	Amendment to Global Water Resources, Inc. Phantom Stock Unit Plan*	Incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the SEC on May 4, 2016
10.15.1	GWR Global Water Resources Corp. Deferred Phantom Stock Unit Plan, dated January 1, 2011*	Incorporated by reference to Exhibit 10.21 of the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
10.15.2	Amendment to GWR Global Water Resources Corp. Deferred Phantom Stock Unit Plan*	Incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the SEC on May 4, 2016
10.16	Securities Purchase Agreement, dated June 5, 2013	Incorporated by reference to Exhibit 10.22 of Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on March 17, 2016
10.17.1	Service Agreement, dated June 5, 2013	Incorporated by reference to Exhibit 10.23 of Amendment No. 1 to the Company's Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on March 17, 2016

10.17.2	First Amendment to Service Agreement, dated November 17, 2016, by and among the certain wholly-owned subsidiaries of Global Water Resources, Inc. and Global Water Management, LLC	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 18, 2016
10.18.1	Note Purchase Agreement, dated as of May 20, 2016, by and among Global Water Resources, Inc. and certain Initial Purchasers	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 26, 2016
10.18.2	Amendment No. 1 to Note Purchase Agreement, dated December 19, 2017, by and among Global Water Resources, Inc. and the noteholders party thereto	Incorporated by reference to Exhibit 10.1 of the Company's Current Report Form 8-K filed with the SEC on December 22, 2017
10.18.3	Amendment No. 2 to Note Purchase Agreement dated May 20, 2016 and Amendment No. 1 to Security Agreements dated as of June 24, 2016, dated April 18, 2018, by and among Global Water Resources, Inc., Global Water, LLC, West Maricopa Combine, LLC, U.S. Bank, National Association, as collateral agent, and the noteholders party thereto	Incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed with the SEC on April 25, 2018
10.19	Guaranty Agreement, dated as of June 24, 2016, by Global Water, LLC	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 28, 2016
10.20	Guaranty Agreement, dated as of June 24, 2016, by West Maricopa Combine, Inc.	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on June 28, 2016
10.21	Pledge and Security Agreement, dated as of June 24, 2016, by and between Global Water Resources, Inc. and U.S. Bank National Association, as collateral agent	Incorporated by reference to the Exhibit 10.4 to Company's Current Report on Form 8-K filed with the SEC on June 28, 2016

Exhibit Number	Description of Exhibit	Method of Filing
10.22	Pledge and Security Agreement, dated as of June 24, 2016, by and between Global Water, LLC and U.S. Bank National Association, as collateral agent	Incorporated by reference to Exhibit 10.5 to the Company’s Current Report on Form 8-K filed with the SEC on June 28, 2016
10.23	Pledge and Security Agreement, dated as of June 24, 2016, by and between West Maricopa Combine, Inc. and U.S. Bank National Association, as collateral agent	Incorporated by reference to Exhibit 10.6 to the Company’s Current Report on Form 8-K filed with the SEC on June 28, 2016
10.24	Standstill Agreement, dated December 21, 2017, by and among Global Water Resources, Inc., Levine Investments Limited Partnerships, William S. Levine, and Andrew M. Cohn	Incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the SEC on December 22, 2017
10.25	Full Waiver and Release of all Claims, dated as of February 20, 2018, by and between Global Water Resources, Inc. and Jeffrey Risenmay*	Incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q filed with the SEC on May 10, 2018
10.26	Independent Contractor Agreement, dated as of February 20, 2018, by and between Global Water Resources, Inc. and Jeffrey Risenmay*	Incorporated by reference to Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q filed with the SEC on May 10, 2018 on March 13, 2018
10.27	Loan Agreement, dated April 20, 2018, by and between Global Water Resources, Inc. and MidFirst Bank	Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on April 25, 2018.
10.28	Guaranty Agreement, dated as of April 20, 2018, by Global Water, LLC	Incorporated by reference to Exhibit 10.2 to the Company’s Current Report on Form 8-K filed with the SEC on April 25, 2018.
10.29	Guaranty Agreement, dated as of April 20, 2018, by West Maricopa Combine, LLC	Incorporated by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K filed with the SEC on April 25, 2018.
10.30	Pledge and Security Agreement, dated as of April 20, 2018, by and between Global Water Resources, Inc. and U.S. Bank National Association, as collateral agent	Incorporated by reference to Exhibit 10.4 to the Company’s Current Report on Form 8-K filed with the SEC on April 25, 2018.
10.31	Pledge and Security Agreement, dated as of April 20, 2018, by and between Global Water, LLC and U.S. Bank National Association, as collateral agent	Incorporated by reference to Exhibit 10.5 to the Company’s Current Report on Form 8-K filed with the SEC on April 25, 2018.
10.32	Pledge and Security Agreement, dated as of April 20, 2018, by and between West Maricopa Combine, LLC and U.S. Bank National Association, as collateral agent	Incorporated by reference to Exhibit 10.6 to the Company’s Current Report on Form 8-K filed with the SEC on April 25, 2018.

10.33	Global Water Resources, Inc. 2018 Stock Option Plan*	Incorporated by reference to Annex A to the Company’s Definitive Proxy Statement on Schedule 14A filed with the SEC on April 6, 2018
14.1	Code of Ethics	Incorporated by reference to Exhibit 14.1 of the Company’s Current Report on Form 8-K filed with the SEC on May 4, 2016
21.1	Subsidiaries of Global Water Resources, Inc.	Incorporated by reference to Exhibit 21.1 of the Company’s Annual Report on Form 10-K filed with the SEC on March 7, 2019.
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	Filed herewith
24.1	Power of Attorney	Included on the signature page of the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2019.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	Filed herewith
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	Furnished herewith
99.1	Arizona Corporation Commission Decision No. 74364	Incorporated by reference to Exhibit 99.1 of the Company’s Registration Statement on Form S-1 (File No. 333-209025) filed with the SEC on January 19, 2016
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith

Exhibit Number	Description of Exhibit	Method of Filing
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of 13 of 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Global Water Resources, Inc.

Date: April 9, 2019	By: /s/ Michael J. Liebman
	Michael J. Liebman Chief Financial Officer and Corporate Secretary (Duly Authorized Officer and Principal Financial and Accounting Officer)