

TAG Accounting Services, Inc.

Jeff Stockman-- *'The Accounting Guy'*

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To the Board of Directors
Interlaken Mutual Water Company
Midway, Utah

31 July, 2012

I have compiled the accompanying statement of financial position for the year ended December 31, 2011, and the related statements of revenues and expenses and cash flows for the year then ended. All information included in these financial statements is the representation of the management of Interlaken Mutual Water Company.

A compilation is intended to assist management in presenting financial information in a form that is in accordance with generally accepted accounting principles. It consists of examining financial information, making adjusting entries where necessary, and presenting disclosures regarding accounting policies, depreciation of assets, financing terms on liabilities, uncertainties, and details of other miscellaneous assets and liabilities. It does not provide assurance of the accuracy or completeness of the information presented.

Jeff Stockman
President, TAG Accounting Services, Inc.

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Accrual Basis

Interlaken Mutual Water Company
Statement of Financial Position
As of December 31, 2011

	Dec 31, 11
ASSETS	
Current Assets	
Checking/Savings	
CD 1	82,710.99
CD 2	100,300.23
CD 3	50,094.18
Checking Account	11,905.65
Construction Deposits	6,137.04
DDW Reserves *	65,411.00
Total Checking/Savings	316,559.09
Accounts Receivable	
Receivables	3,199.44
Total Accounts Receivable	3,199.44
Total Current Assets	319,758.53
Fixed Assets	
Property, Plant & Equipment	
Water System	1,657,145.00
Roads	700,867.00
Land	16,965.00
Equipment	2,865.88
Garbage Site	4,627.87
Total Property, Plant & Equipment	2,382,470.75
Accumulated Depreciation	(815,356.00)
Total Fixed Assets	1,567,114.75
Other Assets	
Prepaid Expenses	4,365.00
Water Rights	37,507.50
Total Other Assets	41,872.50
TOTAL ASSETS	1,928,745.78
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Prepaid Assessments	1,850.00
Total Other Current Liabilities	1,850.00
Total Current Liabilities	1,850.00
Long Term Liabilities	
Utah Division of Finance	804,000.00
Total Long Term Liabilities	804,000.00
Total Liabilities	805,850.00
Equity	
Capital Stock	1,840.00
Paid In Capital	159,945.42
Retained Earnings	942,149.80
Net Income	18,960.56
Total Equity	1,122,895.78
TOTAL LIABILITIES & EQUITY	1,928,745.78

See accountant's report and notes to financial statements

Interlaken Mutual Water Company
Statement of Revenue, Expenditures, and Change in Net Assets
January through December 2011

	Jan - Dec 11
Operating Revenue	
Annual Assessments	\$ 194,250
Water Usage	2,574
Late Fees	824
Transfer Fee	300
Road Maintenance Fee	1,000
Total Revenue	\$ 198,947
 Operating Expense	
Administrative	\$ 14,047
Road Management	62,377
Water Management	19,301
Depreciation	65,261
Entrance Sign	5,011
Total Operating Expense	\$ 165,997
 Net Operating Revenue	 32,950
 Non-Operating Revenues and Expense	
Interest Income	\$ 1,544
Interest Exp-UT Div of Finance	\$ (15,534)
 Change in Net Assets	 \$ 18,960
Beginning Net Assets	1,103,936
Ending Net Assets	\$ 1,122,896

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 Accrual Basis

Interlaken Mutual Water Company
 Statement of Revenue and Expenditures Detail
 January through December 2011

	Jan - Dec 11
Ordinary Income/Expense	
Income	
Annual Assessments	194,250.00
Water Usage	2,573.59
Late Fees	823.75
Transfer Fee	300.00
Road Maintenance Fee	1,000.00
Total Income	198,947.34
Expense	
Administrative	
Bank Charges	130.00
CPA & Taxes	1,600.00
Insurance	8,944.00
Legal Fees	3,132.00
Office Supplies	84.48
Postage	156.80
Total Administrative	14,047.28
Road Management	
Annual Road Repair	35,998.55
Contract Service (Snow Removal)	22,600.00
Additional Contract Services	150.00
Landscaping	27.58
Supplies - Salt, Sand, etc	3,600.19
Total Road Management	62,376.32
Water Management	
Administration	
Certified Operator	6,000.00
Gas heat	326.60
Insurance	1,766.50
Telecommunications	404.26
Water Share Fee, Education, etc	345.00
Administration - Other	40.00
Total Administration	8,882.36
Chemicals & Monitoring	481.00
Electricity	3,854.78
Materials & Supplies	82.90
Telemetry System	6,000.00
Total Water Management	19,301.04
Depreciation	65,261.00
Entrance Sign	5,011.00
Total Expense	165,996.64
Net Ordinary Income	32,950.70
Other Income/Expense	
Other Income	
Interest Income	1,543.86
Total Other Income	1,543.86
Other Expense	
Interest Exp-UT Div of Finance	15,534.00
Total Other Expense	15,534.00
Net Other Income	-13,990.14
Net Income	18,960.56

See accountant's report and notes to financial Statements

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Interlaken Mutual Water Company
Statement of Cash Flows
January through December 2011

	<u>Jan - Dec 11</u>
OPERATING ACTIVITIES	
Net Income	18,960.56
Adjustments to reconcile Net Income to net cash provided by operations:	
Receivables	(2,029.11)
Prepaid Assessments	<u>1,850.00</u>
Net cash provided by Operating Activities	18,781.45
INVESTING ACTIVITIES	
Accumulated Depreciation	<u>65,261.00</u>
Net cash provided by Investing Activities	65,261.00
FINANCING ACTIVITIES	
Utah Division of Finance	<u>(60,000.00)</u>
Net cash provided by Financing Activities	<u>(60,000.00)</u>
Net cash increase for period	24,042.45
Cash at beginning of period	<u>292,516.64</u>
Cash at end of period	<u><u>316,559.09</u></u>

Interlaken Mutual Water Company
Notes to Financial Statements
December 31, 2011

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Interlaken Mutual Water Company (the Company) was organized on March 13, 1969 for the purpose of providing road maintenance and water services to stockholders of the Company who are landowners of property located in Interlaken estates subdivision in Wasatch County, Utah.

Cash and Cash Equivalents

For purposes of balance sheet presentation and reporting of cash flows the Company considers all unrestricted demand deposits, money markets funds, and highly liquid debt instruments with a maturity of fewer than 90 days to be cash and cash equivalents.

Fixed Assets

Property, plant, and equipment are stated at cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets ranging from five to thirty years. The cost of maintenance and repairs are charged to income as incurred. Significant improvements and major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed net if interest earned on the invested proceeds over the same period. When assets are retired or otherwise disposed of the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the income for the period.

Concentration of Risk

The company maintains cash in demand deposit accounts with federally insured banks. At times the balances in these accounts may exceed federally insured limits. As of December 31, 2011 the balance in these accounts was \$316,559 in two insured accounts with balances of \$11,906 and \$304,653. Thus, \$54,653 exceeds the federally insured limit.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Income Tax Status

The company is organized in accordance with Internal Revenue Code Section 501(c)(12) and as such is exempt from income taxes.

Assessments

Stockholders of the Company are assessed an annual amount in January each year to provide for the operating expenses of the water and road systems and to fund reserves for capital expenditures as prescribed through meetings of the board of directors.

Note 2. Accounts Receivable

The Company assesses its shareholders in early January of each year. Some shareholders prepay their accounts which are classed as prepaid assessments at year's end. Uncollected assessments as of December 31 are minimal.

Note 3. Fixed Assets

The following is a summary of fixed asset activity for the year:

	Bal. 1/1/11	Additions	Retirements	Bal 12/31/11
Water System	1,657,145	0	0	1,657,145
Roads	700,867	0	0	700,867
Land	16,965	0	0	16,965
Equipment	2,866	0	0	2,866
Land Improv.	4,628	0	0	4,628
Total	2,382,471	0	0	2,382,471

Note 4. Long Term Debt

The Company borrowed \$1,248,000 from the Utah Drinking Water Board for the purpose of large scale upgrades to the culinary water system at an annual simple interest rate of 1.8% with one annual payment due in December. All of the funds had been drawn by the company as of the end of 2008 and the project has been completed. A principal payment of \$60,000 was made in December 2011.

Repayments for the next 3 years are scheduled as follows:

2012	\$61,000
2013	\$62,000
2014	\$63,000

Note 5. Reconciliation of Equity to Net Assets

The statement of financial position presents equity consistent with generally accepted accounting principles for a corporation. The Company is a mutual not-for-profit corporation indicating that the customers served by the Company are the shareholders. Shareholders purchase stock from the Company at a par value of \$10 per share with all additional proceeds applied to Paid-in-Capital. Below is a reconciliation of shareholder's equity as reported on the statement of financial position to net assets as is consistent with that of a not-for-profit corporation.

Equity:		
Common Stock (184 shares issued, \$10 par value)	\$	1,840
Paid-In Capital		159,945
Retained Earnings-Unrestricted		961,111
Total Shareholder's Equity		<u>\$ 1,122,896</u>
Net Assets:		
Unrestricted	\$	294,370
Restricted		65,411
Fixed Assets (Net)		763,115
Total Net Assets		<u>\$ 1,122,896</u>