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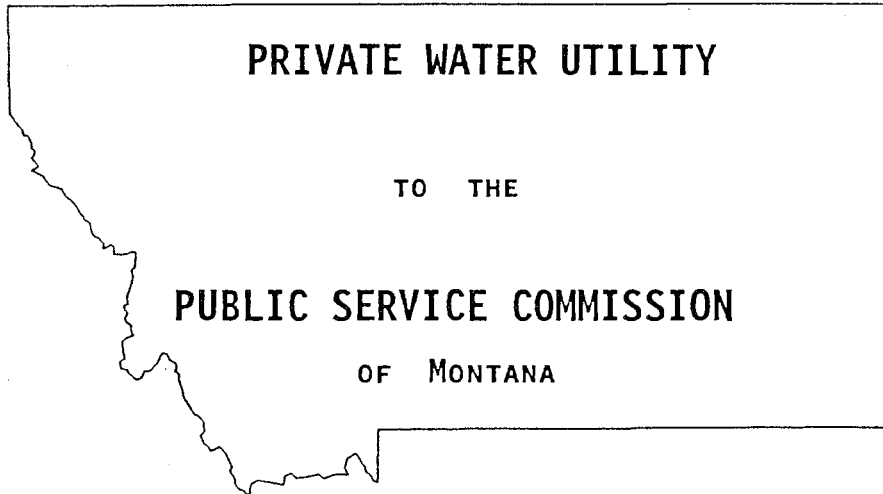
PUBLIC SERVICE  
COMMISSION

**ANNUAL REPORT**

OF THE

**NAME** FLATHEAD UTILITY COMPANY

**LOCATION** KALISPELL, MONTANA



**FOR THE YEAR ENDING** 2005, January 31

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# REPORT OF

FLAIHEAD UTILITY COMPANY

*(Exact Name of Utility)*

2191 - 3rd Avenue East, Kalispell, Mt. 59901

*(Address)*

*(City, State, Zip Code)*

For Year Ended 01/31/06

Date Utility First Organized 02/07/79

Telephone Number 406-257-8708

Location where books and records are located 2191 - 3rd Avenue East, Kalispell, Mt. 59901

Contracts:			
Name	Title	Principal Business Address	Salary
Person to send correspondence:	James J. Billmayer President	2191 - 3rd Avenue East Kalispell, Mt. 59901	XXXXXXXX
Person who prepared this report:			XXXXXXXX
Officers & Managers:	James J. Billmayer President	2191 - 3rd Avenue East Kalispell, Mt. 59901	\$ none
			\$
			\$
			\$
			\$
			\$

Report every corporation or person owning interest or holding directly or indirectly 5 percent or more of the voting securities of the reporting utility:

Name	Percent Ownership in Utility	Principal Business Address	Salary Charged Utility
James J. Billmayer	100%	2191 - 3rd Avenue East Kalispell, Mt. 59901	\$ None
			\$
			\$

## INCOME STATEMENT

Account Name	Current Year	Previous Year
<b>GROSS REVENUE:</b>		
<b>Metered</b>		
Residential		
Commercial		
Industrial		
Other		
<b>Unmetered</b>		
Residential		
Commerical		
Industrial		
Fire Protection		
Bulk Sales		
Sale of Materials		
Other		
<b>TOTAL GROSS REVENUE</b>	\$81,843	\$78,546
<b>Operation and Maintenance Expense</b>	64,611	69,405
<b>Depreciation Expense</b>	6,082	1,158
<b>Taxes Other Than Income</b>	391	369
<b>Income Taxes</b>		
<b>Deferred Federal Income Taxes</b>		
<b>Deferred State Income Taxes</b>		
<b>TOTAL OPERATING EXPENSE</b>	71,084	70,932
<b>NET OPERATING INCOME (LOSS)</b>	10,759	9,131
<b>Other Income:</b>		
Non-Utility Income		
<b>Other Deductions:</b>		
Non-Utility Expenses	4,778	4,115
Interest Expense	1,394	3,039
<b>NET INCOME (LOSS)</b>	4,587	1,977

## COMPARATIVE BALANCE SHEET

ACCONT NAME	CURRENT YEAR	PREVIOUS YEAR
<b>Assets:</b>		
Utility Plant In Service	177,954	179,418
Accumulated Depreciation and Amortization	58,923	58,662
<b>Net Utility Plant</b>		
Cash	851	832
Customer Account Receivable		
Other Assets (Specify)		
<b>Total Assets</b>	119,883	121,588
<b>Liabilities an Capital:</b>		
Common Stock Issued	500	500
Preferred Stock Issued		
Other Paid In Capital		
Retained Earnings	1,766	(2,821)
Proprietary Capital		
<b>Total Capital</b>		
Long Term Debt	107,467	112,665
Accounts Payable		740
Notes Payable	4,000	4,000
Customer Deposits	6,150	6,504
Accrued Taxes		
Other Liabilities (Specify)		
Advances for Construction		
Contributions In Aid Of Construction		
<b>Total Liabilities and Capital</b>	119,883	121,588

**Accumulated Depreciation and Amortization of Utility Plant**

Account 108	Current Year	Previous Year
Balance First of Year	58,662	57,503
Credits During Year	6,082	1,158
Accruals Charged to Depreciation Account		
Salvage		
Other Credits (Specify)		
Total Credits		58,662
Debits During Year:		
Book Cost of Plant Retired		
Cost of Removal	5,821	
Other Debits (Specify)		
Balance End of Year	58,923	58,662

**CONTRIBUTIONS IN AID OF CONSTRUCTION**

Report below all contractor and developer agreements and line extension agreements from which cash or property was received during the year	Indicate "Cash or Property"	Amount
Total During Year		
	N/A	N/A

**ACCUMULATED DEFERRED INCOME TAXES**

Description	Total
Accumulated Deferred Income Taxes:	N/A
Federal	
State	N/A
Total Accumulated Deferred Income Taxes	N/A

### CAPITAL STOCK

	Common Stock	Preferred Stock
Par or stated value per share	10	
Shares authorized	50	
Shares issued and outstanding	50	
Total par value of stock issued	500	
Dividends declared per share for year	N/A	

### RETAINED EARNINGS

	Appropriated	Unappropriated
Balance first of year	(2821)	
Changes during year (Specify): Profit	4587	
Balance end of year	1766	

### PROPRIETARY CAPITAL

	Proprietor or Partner	Partner
Balance first of year		
Changes during year (specify):		
Balance end of year	N/A	N/A

### LONG TERM DEBT

Description of Obligation	Interest		Principal Per Balance Sheet Date
	Rate	Pymts	
Escrow Services	8 $\frac{1}{2}$ %	740	13,124
Three Rivers Bank	8.09%	17	13,459
J. Jay Billmeyer		various	80,884
Total			107,467

## WATER UTILITY PLANT ACCOUNTS

Acct No.	Account Name	Previous Year	Additions	Retirements	Current Year
301	Organization				
302	Franchises				
303	Land & Land Rights				
304	Structures and Improvements				
305	Collecting and Impounding Reservoirs				
306	Lake River and Other Intakes				
307	Wells and Springs				
308	Infiltration Galleries and Tunnels				
309	Supply Mains				
310	Power Generation Equipment	7284			7284
311	Pumping Equipment				
320	Water Treatment Equipment				
330	Distribution Reservoirs and Standpipes				
331	Tranmission and Distribution Mains				
333	Services				
334	Meters and Meter Installations	1310			1310
335	Hydrants				
339	Other Plant and Miscellaneous Equipment	22346	3150	277	25219
340	Office Furniture and Equipment	11328	500	427	11401
341	Transportation Equipment				
342	Stores Equipment				
343	Tools, Shop & Garage Equipment	10200		2186	8014
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment	11389	963	3187	9165
348	Other Tangible Plant	115561			115561
	<b>Total Water Plant</b>	179418	4613	6077	177954



ANALYSIS OF ACCUMULATED DEPRECIATION BY PRIMARY ACCOUNT

ACCT. NO.	ACCOUNT	AVERAGE SERVICE LIFE IN YEARS	AVERAGE SALVAGE IN PERCENT	DEPR. RATE APPLIED	ACCUMULATED DEPRECIATION BALANCE PREVIOUS YEAR	DEBITS	CREDITS	ACCUMULATED DEPRECIATION BALANCE END OF YEAR
304	Structures & Improvements		%	%				
305	Collecting & Impounding Reservoirs		%	%				
306	Lake River & Other Intakes		%	%				
307	Wells and Springs		%	%				
308	Infiltrations Galleries & Tunnels		%	%				
309	Supply Mains		%	%				
310	Power Generating Equip.		%	%				
311	Pumping Equipment		%	%				
320	Water Treatment Equip.		%	%				
330	Distribution Reservoirs & Standpipes		%	%	SEE ATTACHED SCHEDULE			
331	Trans. & Dist. Mains		%	%				
333	Services		%	%				
334	Meter & Meter Installation		%	%				
335	Hydrants		%	%				
339	Other Plant & Misc. Equip.		%	%				
340	Office Furniture and Equipment		%	%				
341	Transportation Equip.		%	%				
342	Stores Equipment		%	%				
343	Tools, Shop & Garage Equipment		%	%				
344	Laboratory Equipment		%	%				
345	Power Operated Equipment		%	%				
346	Communication Equipment		%	%				
347	Miscellaneous Equipment		%	%				
348	Other Tangible Plant		%	%				
	<b>Totals</b>				58662	5821	6082	58923





# FLATHEAD UTILITY CO

## Depreciation Expense Report

As of January 31, 2006

Book = Tax

FYE Month = January

Sys No	In Svc Ext Date	Acquired Value	P Depr T Meth	Est Life	Salv / 168(k) Sec 179	Depreciable Basis	Prior Thru	Prior Accum Depreciation	Depreciation This Run	Current YTD Depreciation	Current Accum Depreciation	Key Code
000003	FURNITURE & FIXTURES											
	000 10/15/79	98.50	P SLMM	07 00	0.00	98.50	07/31/05	98.50	0.00	0.00	98.50	d
000004	MACHINERY & EQUIPMENT											
	000 10/15/79	909.92	P SLMM	07 00	0.00	909.92	07/31/05	909.92	0.00	0.00	909.92	d
000008	EQUIPMENT											
	000 06/30/81	684.00	P ACRS	05 00	0.00	684.00	07/31/05	684.00	0.00	0.00	684.00	d
000010	TOOLS											
	000 06/30/81	115.04	P ACRS	05 00	0.00	115.04	07/31/05	115.04	0.00	0.00	115.04	d
000011	WATER SYSTEM											
	000 10/12/84	24,650.00	P AltST	10 00	0.00	24,650.00	01/31/05	24,650.00	0.00	0.00	24,650.00	
000012	CHAIR											
	000 03/15/84	328.98	P ACRS	05 00	0.00	312.53	07/31/05	312.53	0.00	0.00	312.53	dr
000026	WATER SYSTEM - LAND											
	000 04/15/87	40,000.00	P NoDep	00 00	0.00	40,000.00	01/31/05	0.00	0.00	0.00	0.00	
000029	TRAIL KING TRAILER											
	000 08/15/88	3,187.50	P MT200	05 00	0.00	3,187.50	07/31/05	2,948.12	0.00	0.00	2,948.12	d
000030	PUMP											
	000 02/28/90	276.27	P MT200	07 00	0.00	276.27	07/31/05	276.27	0.00	0.00	276.27	dm
000038	SPACE HEATER											
	000 02/15/88	293.52	P MT200	07 00	0.00	293.52	07/31/05	293.52	0.00	0.00	293.52	d
000040	LADDER											
	000 03/31/92	269.00	P MF200	07 00	0.00	269.00	01/31/05	269.00	0.00	0.00	269.00	s
000044	ELECTRIC PRESSER CONTROL											
	000 01/31/93	2,957.00	P MF200	07 00	0.00	2,957.00	01/31/05	2,957.00	0.00	0.00	2,957.00	s
000045	SMALL TOOLS											
	000 08/31/92	182.97	P MF200	07 00	0.00	182.97	07/31/05	182.97	0.00	0.00	182.97	ds
000055	LAND											
	000 10/12/84	4,350.00	R NoDep	00 00	0.00	4,350.00	01/31/05	0.00	0.00	0.00	0.00	
000056	HAMMER DRILL											
	000 11/04/94	225.00	P MF200	07 00	225.00	0.00	01/31/05	0.00	0.00	0.00	0.00	rsm
000057	HAND TOOL											
	000 12/16/94	209.90	P MF200	07 00	209.90	0.00	01/31/05	0.00	0.00	0.00	0.00	rsm
000058	MICROM COMPUTER											
	000 02/28/95	308.00	P MF200	07 00	308.00	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000063	CUT OFF SAW											
	000 07/06/95	908.00	P MF200	07 00	908.00	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000065	PRESSURE TANK											
	000 10/15/95	195.00	P MF200	07 00	195.00	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000066	REGULATOR/METERS											
	000 11/15/95	277.61	P MF200	07 00	277.61	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000067	EQUIPMENT											
	000 01/15/96	1,253.05	P MF200	07 00	1,253.05	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000070	METERS											
	000 06/15/96	264.00	P MF200	07 00	264.00	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000071	AIR COMPRESSOR											
	000 05/15/96	464.69	P MF200	07 00	464.69	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000072	2 PUMPS											
	000 05/15/96	1,535.00	P MF200	07 00	1,535.00	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000073	STARTER											
	000 05/15/96	552.00	P MF200	07 00	552.00	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000077	METERS											
	000 02/15/96	342.92	P MF200	07 00	342.92	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
000078	TOOLS											

# FLATHEAD UTILITY CO

## Depreciation Expense Report

As of January 31, 2006

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FYE Month = January

Sys No	In Svc Ext Date	Acquired Value	P T	Depr Meth	Est Life	Salv / 168(k) Sec 179	Depreciable Basis	Prior Thru	Prior Accum Depreciation	Depreciation This Run	Current YTD Depreciation	Current Accum Depreciation	Key Code
000079	000 10/15/96	734.00	P	MF200	07 00	734.00	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
	HILLTOP WATER SYSTEM												
000080	000 05/15/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000081	000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000082	000 05/15/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000083	000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000084	000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000085	000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000086	000 05/14/96	2,160.00	R	NoDep	00 00	0.00	2,160.00	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000087	000 02/01/96	30,000.00	R	NoDep	00 00	0.00	30,000.00	01/31/05	0.00	0.00	0.00	0.00	
	WATER SYSTEM												
000088	000 06/30/96	5,950.00	R	NoDep	00 00	0.00	5,950.00	01/31/05	0.00	0.00	0.00	0.00	
	WATER SYSTEM												
000089	000 06/15/97	204.75	P	MF200	07 00	204.75	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
	GRINDER												
000091	000 08/15/97	429.53	P	MF200	07 00	429.53	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
	TRACTOR ATTACHMENT												
000093	000 10/15/97	128.50	P	MF200	05 00	128.50	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
	HARD DRIVE												
000094	000 11/15/97	789.20	P	MF200	07 00	789.20	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
	WATER SOFTNER												
000097	000 02/12/97	8,184.54	R	NoDep	00 00	0.00	8,184.54	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000098	000 11/10/97	3,507.66	R	NoDep	00 00	0.00	3,507.66	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000099	000 07/17/98	1,139.50	P	MF200	07 00	1,139.50	0.00	01/31/05	0.00	0.00	0.00	0.00	r
	CABINETS												
000104	000 09/21/99	2,568.50	P	MF200	05 00	2,568.50	0.00	01/31/05	0.00	0.00	0.00	0.00	rs
	GATEWAY COMPUTER & SOFTWARE												
000105	000 07/24/00	1,312.75	P	MF200	07 00	0.00	1,312.75	01/31/05	1,019.82	117.17	117.17	1,136.99	s
	HP LASERJET PRINTER												
000106	000 11/23/00	949.00	P	MF200	07 00	0.00	949.00	01/31/05	737.27	84.69	84.69	821.95	s
	PAINT SPRAYER												
000107	000 03/09/01	7,015.32	R	NoDep	00 00	0.00	7,015.32	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000108	000 10/23/01	2,338.44	R	NoDep	00 00	0.00	2,338.44	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000110	000 10/19/01	3,975.00	P	MA200	07 00	1,192.50	2,782.50	01/31/05	1,913.34	248.33	248.33	2,161.67	r
	PUMP - COUNTRY ESTATES												
000112	000 07/27/02	207.98	P	MA200	07 00	62.39	145.59	01/31/05	81.93	18.19	18.19	100.12	r
	VACCUM (NEW)												
000113	000 10/23/02	2,338.44	R	NoDep	00 00	0.00	2,338.44	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000114	000 10/23/03	2,338.44	R	NoDep	00 00	0.00	2,338.44	01/31/05	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												

# FLATHEAD UTILITY CO

## Depreciation Expense Report

As of January 31, 2006

Book = Tax

FYE Month = January

Sys No	In Svc Ext Date	Acquired Value	P Depr T Meth	Est Life	Salv / 168(k) Sec 179	Depreciable Basis	Prior Thru	Prior Accum Depreciation	Depreciation This Run	Current YTD Depreciation	Current Accum Depreciation	Key Code
000115	AIR COMPRESSOR											
	000 09/26/03	275.00	P MA200	07 00	275.00	0.00	01/31/05	0.00	0.00	0.00	0.00	r
000116	AUGER											
	000 04/01/03	1,375.00	P MA200	07 00	1,375.00	0.00	01/31/05	0.00	0.00	0.00	0.00	r
000117	INDICATOR/CONTROLLER											
	000 06/04/03	4,448.00	P MA200	07 00	4,448.00	0.00	01/31/05	0.00	0.00	0.00	0.00	r
000118	BLADE & SAFETY SHIELD											
	000 06/06/03	120.91	P MA200	07 00	120.91	0.00	01/31/05	0.00	0.00	0.00	0.00	r
000119	HEATER & THERMOSTAT											
	000 11/25/03	626.31	P MA200	07 00	626.31	0.00	01/31/05	0.00	0.00	0.00	0.00	r
000121	VACUUM											
	000 10/04/04	365.97	P MF200	07 00	0.00	365.97	01/31/05	52.28	89.63	89.63	141.91	
000122	BUCKET											
	000 11/11/04	381.97	P MF200	07 00	0.00	381.97	01/31/05	54.57	93.54	93.54	148.11	
000123	HONDA GENERATOR											
	000 11/18/04	1,092.66	P MF200	07 00	0.00	1,092.66	01/31/05	156.10	267.59	267.59	423.69	
000124	TOOLS											
	000 06/30/04	2,244.82	P MF200	07 00	0.00	2,244.82	01/31/05	320.69	549.75	549.75	870.44	
000125	HILLTOP WATER SYSTEM											
	000 11/03/04	2,338.44	P NoDep	00 00	0.00	2,338.44	01/31/05	0.00	0.00	0.00	0.00	
000126	LAWN MOWER											
	000 05/13/05	590.00	P MF200	07 00	590.00	0.00		0.00	0.00	0.00	0.00	r
000127	LAWN MOWER											
	000 05/27/05	372.95	P MF200	07 00	372.95	0.00		0.00	0.00	0.00	0.00	r
000128	AIR CONDITIONERS - 2											
	000 07/22/05	499.67	P MF200	07 00	499.67	0.00		0.00	0.00	0.00	0.00	r
000129	WHACKER											
	000 08/15/05	3,150.00	P MF200	07 00	3,150.00	0.00		0.00	0.00	0.00	0.00	r
<b>Grand Total</b>		184,031.12			25,241.88	158,772.79		38,032.87	1,468.89	1,468.89	39,501.76	
Less disposals and transfers		(6,076.70)			0.00	(6,060.25)		(5,820.87)			(5,820.87)	
Count = 9												
<b>Net Grand Total</b>		<u>177,954.42</u>			<u>25,241.88</u>	<u>152,712.54</u>		<u>32,212.00</u>	<u>1,468.89</u>	<u>1,468.89</u>	<u>33,680.89</u>	
Count = 58												

STATE OF MONTANA )  
County of FLATHEAD )

We, the undersigned, on our oath do severally say that the foregoing return the  
FLATHEAD UTILITY COMPANY, water utility, has been prepared  
under our direction from the original books, papers and records of said utility and declare  
the same to be a full, true and correct statement embracing all the financial transactions of  
said utility during the period for which the return is made.



J. J. Billmeyer  
PRESIDENT

Subscribed and sworn to before me this 9<sup>th</sup> day of March, ~~19~~ 2006.





MARY H. BLAZINE  
NOTARY PUBLIC - MONTANA  
Residing at  
Columbia Falls, Montana

My Comm. Expires 02/27/2010