

# Flathead Utility Company

2191 3rd Ave. East  
Kalispell, Montana 59901

755-5392

RECEIVED BY

2007 MAR -1 A 10: 10

PUBLIC SERVICE  
COMMISSION

February 28, 2007

Montana Public Service Commission  
Utility Division  
2701 Prospect Avenue  
Helena, Montana  
59620

Re: Annual Report 2006 - Flathead Utility Company

Dear Sirs:

Enclosed is our Annual Report for the above noted Water Utility Company.

Sincerely,

Flathead Utility Company, Inc.



Mary R. Blazine  
Office Administrator

Encl:

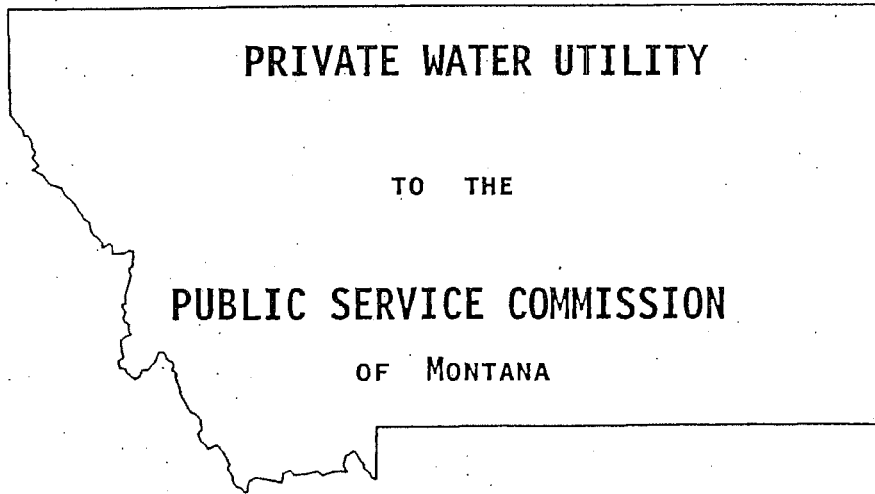
YEAR 2006

**ANNUAL REPORT**

OF THE

NAME FLATHEAD UTILITY COMPANY

LOCATION KALISPELL, MONTANA



FOR THE YEAR ENDING January 31, 2007

## TABLE OF CONTENTS

SCHEDULE	PAGE	
Identification	2	
Income Statement	3	
Balance Sheet	4	
Contributions in Aid of Construction	5	
Accumulated Depreciation & Amortization of Utility Plant	5	
Capital Stock	6	
Retained Earnings	6	
Proprietary Capital	6	
Long Term Debt	6	
Water Utility Plant Accounts	7	
Analysis of Accumulated Depreciation by Primary Account	8	
Payments For Services Rendered By Other Than Employees	9	
Water Operation and Maintenance Expense	9	
Water Customers	10	
Operating Statistics	10	

# REPORT OF

FLATHEAD UTILITY COMPANY

*(Exact Name of Utility)*

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

*(Address)*

*(City, State, Zip Code)*

For Year Ended January 31, 2007

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. Billmeyer President	2191 - 3rd Avenue East Kalispell, Mt. 59901	XXXXXXXX
Person who prepared this report:			XXXXXXXX
Officers & Managers:	James J. Billmeyer 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. Billmeyer	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>	\$87,578	\$81,843
<b>Operation and Maintenance Expense</b>	\$73,533	64,611
<b>Depreciation Expense</b>	\$ 7,668	6,082
<b>Taxes Other Than Income</b>	\$ 489	391
<b>Income Taxes</b>		
<b>Deferred Federal Income Taxes</b>		
<b>Deferred State Income Taxes</b>		
<b>TOTAL OPERATING EXPENSE</b>	\$81,690	71,084
<b>NET OPERATING INCOME (LOSS)</b>	\$ 5,888	10,759
<b>Other Income:</b>		
Non-Utility Income		
<b>Other Deductions:</b>		
Non-Utility Expenses	\$ 4,146	4,778
Interest Expense	\$ 1,681	1,394
<b>NET INCOME (LOSS)</b>	\$ 61	4,587

## COMPARATIVE BALANCE SHEET

ACCONT NAME	CURRENT YEAR	PREVIOUS YEAR
<b>Assets:</b>		
Utility Plant In Service	195,443	177,954
Accumulated Depreciation and Amortization	66,591	58,923
<b>Net Utility Plant</b>		
Cash	975	851
Customer Account Receivable		
Other Assets (Specify)		
<b>Total Assets</b>	129,827	119,883
<b>Liabilities an Capital:</b>		
Common Stock Issued	500	500
Preferred Stock Issued		
Other Paid In Capital		
Retained Earnings	1,827	1,766
Proprietary Capital		
<b>Total Capital</b>		
Long Term Debt	121,260	107,467
Accounts Payable		<del>4,000</del>
Notes Payable		
Customer Deposits	6,240	6,150
Accrued Taxes		
Other Liabilities (Specify)		
Advances for Construction		
Contributions In Aid Of Construction		
<b>Total Liabilities and Capital</b>	129,827	119,883

### Accumulated Depreciation and Amortization of Utility Plant

Account 108	Current Year	Previous Year
Balance First of Year	58,923	58,662
Credits During Year	7,668	6,082
Accruals Charged to Depreciation Account		
Salvage		
Other Credits (Specify)		
Total Credits		
Debits During Year:		
Book Cost of Plant Retired		
Cost of Removal		5,821
Other Debits (Specify)		
Balance End of Year	66,591	58,923

### 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:	
Federal	N/A
State	
Total Accumulated Deferred Income Taxes	N/A
	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		1,766
Changes during year (Specify):		
Net Income		61
Balance end of year		1,827

### 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 - CE	8.50	740	5,070
Escrow Services - JJB	8.00		21,600
Three Rivers Bank of Montana	8.09	1,000	2,191
J. J. Billmeyer	Various		92,399
Total			121,260



## 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			7,284
311	Pumping Equipment				
320	Water Treatment Equipment				
330	Distribution Reservoirs and Standpipes				
331	Transmission and Distribution Mains				
333	Services				
334	Meters and Meter Installations	1310			1,310
335	Hydrants				
339	Other Plant and Miscellaneous Equipment	25219			25,219
340	Office Furniture and Equipment	11401			11,401
341	Transportation Equipment				
342	Stores Equipment				
343	Tools, Shop & Garage Equipment	8014	233		8,247
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment	9165	6,257		15,422
348	Other Tangible Plant	115561	10,999		126,560
	<b>Total Water Plant</b>	177954	17,489		195,443

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	Infiltration Galleries & Tunnels		%	%				
309	Supply Mains		%	%				
310	Power Generating Equip.		%	%				
311	Pumping Equipment		%	%				
320	Water Treatment Equip.		%	%				
330	Distribution Reservoirs & Standpipes		%	%				
331	Trans. & Dist. Mains		%	%	SEE ATTACHED SCHEDULE			
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>				58923		7,669	66,591

# FLATHEAD UTILITY CO

## Depreciation Expense Report

As of January 31, 2007

Book = Tax

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
000011	WATER SYSTEM 000 10/12/84	24,650.00	P	AltST	10 00	0.00	24,650.00	01/31/06	24,650.00	0.00	0.00	24,650.00	
000026	WATER SYSTEM - LAND 000 04/15/87	40,000.00	P	NoDep	00 00	0.00	40,000.00	01/31/06	0.00	0.00	0.00	0.00	
000040	LADDER 000 03/31/92	269.00	P	MF200	07 00	0.00	269.00	01/31/06	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	01/31/06	2,957.00	0.00	0.00	2,957.00	s
000055	LAND 000 10/12/84	4,350.00	R	NoDep	00 00	0.00	4,350.00	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	0.00	0.00	0.00	0.00	rs
000078	TOOLS 000 10/15/96	734.00	P	MF200	07 00	734.00	0.00	01/31/06	0.00	0.00	0.00	0.00	rs
000079	HILLTOP WATER SYSTEM 000 05/15/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/06	0.00	0.00	0.00	0.00	
000080	HILLTOP WATER SYSTEM 000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/06	0.00	0.00	0.00	0.00	
000081	HILLTOP WATER SYSTEM 000 05/15/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/06	0.00	0.00	0.00	0.00	
000082	HILLTOP WATER SYSTEM 000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/06	0.00	0.00	0.00	0.00	
000083	HILLTOP WATER SYSTEM 000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/06	0.00	0.00	0.00	0.00	
000084	HILLTOP WATER SYSTEM 000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/06	0.00	0.00	0.00	0.00	
000085	HILLTOP WATER SYSTEM 000 05/14/96	720.00	R	NoDep	00 00	0.00	720.00	01/31/06	0.00	0.00	0.00	0.00	
000086	HILLTOP WATER SYSTEM 000 05/14/96	2,160.00	R	NoDep	00 00	0.00	2,160.00	01/31/06	0.00	0.00	0.00	0.00	
000087	WATER SYSTEM												

# FLATHEAD UTILITY CO

## Depreciation Expense Report

As of January 31, 2007

Book = Tax

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
000088	000 02/01/96	30,000.00	R	NoDep	00 00	0.00	30,000.00	01/31/06	0.00	0.00	0.00	0.00	
	WATER SYSTEM												
000089	000 06/30/96	5,950.00	R	NoDep	00 00	0.00	5,950.00	01/31/06	0.00	0.00	0.00	0.00	
	GRINDER												
000091	000 06/15/97	204.75	P	MF200	07 00	204.75	0.00	01/31/06	0.00	0.00	0.00	0.00	rs
	TRACTOR ATTACHMENT												
000093	000 08/15/97	429.53	P	MF200	07 00	429.53	0.00	01/31/06	0.00	0.00	0.00	0.00	rs
	HARD DRIVE												
000094	000 10/15/97	128.50	P	MF200	05 00	128.50	0.00	01/31/06	0.00	0.00	0.00	0.00	rs
	WATER SOFTNER												
000097	000 11/15/97	789.20	P	MF200	07 00	789.20	0.00	01/31/06	0.00	0.00	0.00	0.00	rs
	HILLTOP WATER SYSTEM												
000098	000 02/12/97	8,184.54	R	NoDep	00 00	0.00	8,184.54	01/31/06	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000099	000 11/10/97	3,507.66	R	NoDep	00 00	0.00	3,507.66	01/31/06	0.00	0.00	0.00	0.00	
	CABINETS												
000104	000 07/17/98	1,139.50	P	MF200	07 00	1,139.50	0.00	01/31/06	0.00	0.00	0.00	0.00	rs
	GATEWAY COMPUTER & SOFTWARE												
000105	000 09/21/99	2,568.50	P	MF200	05 00	2,568.50	0.00	01/31/06	0.00	0.00	0.00	0.00	rs
	HP LASERJET PRINTER												
000106	000 07/24/00	1,312.75	P	MF200	07 00	0.00	1,312.75	01/31/06	1,136.99	117.17	117.17	1,254.16	s
	PAINT SPRAYER												
000107	000 11/23/00	949.00	P	MF200	07 00	0.00	949.00	01/31/06	821.96	84.69	84.69	906.65	s
	HILLTOP WATER SYSTEM												
000108	000 03/09/01	7,015.32	R	NoDep	00 00	0.00	7,015.32	01/31/06	0.00	0.00	0.00	0.00	
	HILLTOP WATER SYSTEM												
000110	000 10/23/01	2,338.44	R	NoDep	00 00	0.00	2,338.44	01/31/06	0.00	0.00	0.00	0.00	
	PUMP - COUNTRY ESTATES												
000112	000 10/19/01	3,975.00	P	MA200	07 00	1,192.50	2,782.50	01/31/06	2,161.67	248.33	248.33	2,410.00	sr
	VACUUM (NEW)												
000113	000 07/27/02	207.98	P	MA200	07 00	62.39	145.59	01/31/06	100.12	12.99	12.99	113.11	r
	COUNTRY ESTATES LOTS												
000114	000 10/23/02	2,338.44	R	NoDep	00 00	0.00	2,338.44	01/31/06	0.00	0.00	0.00	0.00	
	COUNTRY ESTATES LOTS												
000115	000 10/23/03	2,338.44	R	NoDep	00 00	0.00	2,338.44	01/31/06	0.00	0.00	0.00	0.00	
	AIR COMPRESSOR												
000116	000 09/26/03	275.00	P	MA200	07 00	275.00	0.00	01/31/06	0.00	0.00	0.00	0.00	r
	AUGER												
000117	000 04/01/03	1,375.00	P	MA200	07 00	1,375.00	0.00	01/31/06	0.00	0.00	0.00	0.00	r
	INDICATOR/CONTROLLER												
000118	000 06/04/03	4,448.00	P	MA200	07 00	4,448.00	0.00	01/31/06	0.00	0.00	0.00	0.00	r
	BLADE & SAFETY SHIELD												
000119	000 06/06/03	120.91	P	MA200	07 00	120.91	0.00	01/31/06	0.00	0.00	0.00	0.00	r
	HEATER & THERMOSTAT												
000121	000 11/25/03	626.31	P	MA200	07 00	626.31	0.00	01/31/06	0.00	0.00	0.00	0.00	r
	VACUUM												
000122	000 10/04/04	365.97	P	MF200	07 00	0.00	365.97	01/31/06	141.91	64.02	64.02	205.93	
	BUCKET												
000123	000 11/11/04	381.97	P	MF200	07 00	0.00	381.97	01/31/06	148.11	66.82	66.82	214.93	
	HONDA GENERATOR												
000124	000 11/18/04	1,092.66	P	MF200	07 00	0.00	1,092.66	01/31/06	423.69	191.14	191.14	614.83	
	TOOLS												
	000 06/30/04	2,244.82	P	MF200	07 00	0.00	2,244.82	01/31/06	870.44	392.68	392.68	1,263.12	

# FLATHEAD UTILITY CO

## Depreciation Expense Report

As of January 31, 2007

Book = Tax

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
000125	COUNTRY ESTATES LOTS												
000	11/03/04	2,338.44	P	NoDep	00 00	0.00	2,338.44	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	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	01/31/06	0.00	0.00	0.00	0.00	r
000130	PLANER												
000	01/11/07	233.33	P	MF200	07 00	233.33	0.00		0.00	0.00	0.00	0.00	r
000131	CGA-5-PIDN NG BOILER W/DRAFT HOOD												
000	02/07/06	1,535.26	P	MF200	07 00	1,535.26	0.00		0.00	0.00	0.00	0.00	r
000132	INDICATOR/CONTROLLER												
000	12/01/06	4,721.57	P	MF200	07 00	4,721.57	0.00		0.00	0.00	0.00	0.00	r
000133	COUNTRY ESTATES LOTS												
000	10/02/06	2,338.44	R	NoDep	00 00	0.00	2,338.44		0.00	0.00	0.00	0.00	
<b>Grand Total</b>		186,783.02				31,732.04	155,050.98		33,680.89	1,177.84	1,177.84	34,858.73	
Less disposals and transfers		0.00				0.00	0.00		0.00			0.00	
Count = 0													
<b>Net Grand Total</b>		<u>186,783.02</u>				<u>31,732.04</u>	<u>155,050.98</u>		<u>33,680.89</u>	<u>1,177.84</u>	<u>1,177.84</u>	<u>34,858.73</u>	
Count = 62													

### Report Assumptions

Report Name: Depreciation Expense

Source Report: <Standard Report>

**Calculation Assumptions:**

Short Year: none

Include Sec 168(k) Allowance & Sec 179: No

Adjustment Convention: None

**Key Codes:**

- a: A depreciation adjustment amount is included in the reporting period.
- b: The asset's business-use percentage is less than 100%.
- d: The asset has been disposed.
- f: The asset has switched from a MACRS table calculation to the MACRS formula calculation.
- l: The asset's depreciation has been limited by luxury auto rules.
- m: The asset's depreciation was calculated using the mid-quarter convention.
- r: The asset's acquired value was reduced to arrive at the depreciable basis.
- s: The asset has switched from declining-balance to a straight-line.
- t: The asset was transferred.
- v: The asset has switched to remaining value over remaining life due to ACE.

**Group/Sorting Criteria:**

Group = All FAS Assets

Include Assets that meet the following conditions:

All FAS Assets

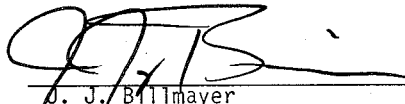
Sorted by: System No, Extension





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 27 day of Feb., 192007.

  
\_\_\_\_\_



MARY R. BLAZINE  
NOTARY PUBLIC - MONTANA  
Residing at  
Columbia Falls, Montana  
My Comm. Expires 02/27/2010