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YEAR 2007

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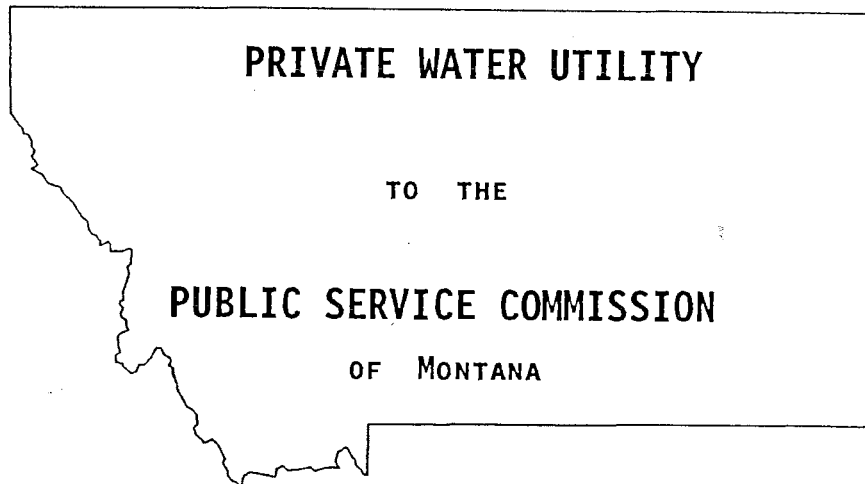
PUBLIC SERVICE
COMMISSION

ANNUAL REPORT

OF THE

NAME FLATHEAD UTILITY COMPANY

LOCATION KALISPELL, MONTANA



FOR THE YEAR ENDING JANUARY 31, 2008

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REPORT OF

Flathead Utility Company

(Exact Name of Utility)

2191 3rd. Ave. E., Kalispell, MT 59901

(Address)

(City, State, Zip Code)

For Year Ended 1/31/08

Date Utility First Organized 2/7/79

Telephone Number 406-755-5392

Location where books and records are located 2191 3rd. Ave. E., Kalispell, MT 59901

Contracts:			
Name	Title	Principal Business Address	Salary
Person to send correspondence:	James J. Billmayer President	2191 3rd. Ave. E. Kalispell, MT 59901	XXXXXXXX
Person who prepared this report:			XXXXXXXX
Officers & Managers:	James J. Billmayer President	2191 3rd. Ave., E. Kalispell, MT 59901	\$ N/A
			\$
			\$
			\$
			\$
			\$

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	Precent Ownership in Utility	Principal Business Address	Salary Charged Utility
James J. Billmayer	100%	2191 3rd. Ave. E. Kalispell, MT 59901	\$ N/A
			\$
			\$
			\$

INCOME STATEMENT

Account Name	Current Year	Previous Year
GROSS REVENUE:		
Metered		
Residential		
Commercial		
Industrial		
Other		
Unmetered		
Residential		
Commerical		
Industrial		
Fire Protection		
Bulk Sales		
Sale of Materials		
Other		
TOTAL GROSS REVENUE	87,449	87,578
Operation and Maintenance Expense	79,996	73,533
Depreciation Expense	2,311	7,668
Taxes Other Than Income	286	489
Income Taxes		
Deferred Federal Income Taxes		
Deferred State Income Taxes		
TOTAL OPERATING EXPENSE	82,593	81,690
NET OPERATING INCOME (LOSS)	4,856	5,888
Other Income:		
Non-Utility Income		
Interest	17	
Federal Excise Tax Refund	151	
Other Deductions:		
Non-Utility Expenses	8,076	4,146
Interest Expense	1,586	1,681
NET INCOME (LOSS)	(4,638)	61

COMPARATIVE BALANCE SHEET

ACCONT NAME	CURRENT YEAR	PREVIOUS YEAR
Assets:		
Utility Plant In Service	202,465	195,443
Accumulated Depreciation and Amortization	68,902	66,591
Net Utility Plant		
Cash	5,342	975
Customer Account Receivable		
Other Assets (Specify)		
Total Assets	138,905	129,827
Liabilities an Capital:		
	500	500
Common Stock Issued		
Preferred Stock Issued		
Other Paid In Capital		
Retained Earnings	(2,811)	1,827
Proprietary Capital		
Total Capital	134,856	121,260
Long Term Debt		
Accounts Payable		
Notes Payable		
Customer Deposits	6,360	6,240
Accrued Taxes		
Other Liabilities (Specify)		
Advances for Construction		
Contributions In Aid Of Construction		
Total Liabilities and Capital	138,905	129,827

Accumulated Depreciation and Amortization of Utility Plant

Account 108	Current Year	Previous Year
Balance First of Year	66,591	58,923
Credits During Year	2,311	7,668
Accruals Charged to Depreciation Account		
Salvage		
Other Credits (Specify)		
Total Credits		
Debits During Year:		
Book Cost of Plant Retired		
Cost of Removal		
Other Debits (Specify)		
Balance End of Year	68,902	66,591

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	N/A
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		1,827
Changes during year (Specify):		(4,638)
NET LOSS		
Balance end of year		(2,811)

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 Service - 8756-07	8%	1,009	10,927
James J. Billmayer Customer Deposits	various		123,929
	6%		6,360
Total			141,216

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	7,284			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	1,310			1,310
335	Hydrants				
339	Other Plant and Miscellaneous Equipment	25,219	4,333		29,552
340	Office Furniture and Equipment	11,401			11,401
341	Transportation Equipment				
342	Stores Equipment				
343	Tools, Shop & Garage Equipment	8,247	2,333		10,580
344	Laboratory Equipment				
345	Power Operated Equipment				
346	Communication Equipment				
347	Miscellaneous Equipment	15,422			15,422
348	Other Tangible Plant	126,560			126,560
	Total Water Plant	195,443	6,666		202,109

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 Inakes		%	%				
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		%	%				
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		%	%				
	Totals				66,591		2,311	68,902

SEE ATTACHED LIST

SOURCES OF WATER SUPPLY

Surface Water: River _____ Lake _____ Stream _____ Impounding Res. _____
 Ground Water: Springs No. _____ Shallow Wells No. _____ Deep Wells No. _____

SUPPLY, TRANSMISSION & DISTRIBUTION MAINS (FEET)

Size Inches	First of Year	Laid During Year	Total	Abandoned During Yr.	Taken Up During Yr.	Total	Close of Year
Total							

RESERVOIRS, STANDPIPES AND PURIFICATION SYSTEM

Number of Reservoirs _____ Capacity in Gallons _____
 Number of Standpipes _____ Capacity in Gallons _____
 Method of Purification _____

SERVICES AND METERS

Services	3/4	1 in.	1 1/2 in.	2 in.	3 in.	4 in.	6 in.		
1/2 in.	5/8								
Meters	211	56							

NUMBER AND CLASSIFICATION OF CONSUMERS

-Beginning of Year-

-Close of Year-

Classification	Metered	Unmetered	Total	Metered	Unmetered	Total	Increase or Decrease
Residential	264		264	267		267	3
Commercial							
Industrial							
Fire Hydrants							
Governmental							
All Other							
Total	264		264	267		267	3

TOTAL PUMPING STATION STATISTICS

Total Amount of Water Obtained by all methods during the Year 57,591,069 gals.
 Maximum Water obtained all methods during any one day 502,753 gals.
 Minimum Amount of Water obtained all methods during one day 36,199 gals.
 Total Amount of Water passed through customers meters during year 57,591,069 gals.
 Range of ordinary pressure on mains 50-60 lbs. to 75-80 lbs.
 Range of fire pressure in mains n/a lbs. to n/a lbs.

1/31/08

2007 Federal Depreciation Schedule

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Client 2009

FLATHEAD UTILITY CO

81-0384344

2/14/08

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Prt.	Cur Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Dapr.
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Form 1120

Furniture and Fixtures

3	2 AIR CONDITIONERS	7/22/05		500				500	0	0	1,313	1,254	200DB HY	7		0
12	HP LASER JET PRINTER	7/24/00		1,313						0	1,313	1,254	200DB HY	7		59

Total Furniture and Fixtures

				1,813		0	0	500	0	0	1,313	1,254				59
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Land

19	WATER SYSTEM LAND	4/15/87		40,000							40,000					0
22	LAND	1/12/84		4,350							4,350					0
34	HILLTOP WATER SYSTEM	5/15/96		720							720					0
35	HILLTOP WATER SYSTEM	5/14/96		720							720					0
36	HILLTOP WATER SYSTEM	5/15/96		720							720					0
37	HILLTOP WATER SYSTEM	5/14/96		720							720					0
38	HILLTOP WATER SYSTEM	5/15/96		720							720					0
39	HILLTOP WATER SYSTEM	5/14/96		720							720					0
40	HILLTOP WATER SYSTEM	5/15/96		720							720					0
41	HILLTOP WATER SYSTEM	5/14/96		2,160							2,160					0
42	WATER SYSTEM	2/01/96		30,000							30,000					0
43	WATER SYSTEM	6/30/96		5,950							5,950					0
48	HILLTOP WATER SYSTEM	11/15/97		8,184							8,184					0
49	HILLTOP WATER SYSTEM	11/15/97		3,508							3,508					0
52	HILLTOP WATER SYSTEM	10/23/01		2,338							2,338					0
53	COUNTRY ESTATES LOTS	10/23/02		2,338							2,338					0
59	COUNTRY ESTATE LOTS	11/03/04		2,338							2,338					0
60	COUNTRY ESTATE LOTS	10/02/06		2,338							2,338					0

2007 Federal Depreciation Schedule

Client 2009

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No.	Description	Date Acquired	Date Sold	Cost/Basis	Bus. Pct.	Cur Bonus	Special Depr. Allow.	Prior 179/Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
61	COUNTRY ESTATE LOTS	10/23/03		2,338							2,338		1500B HY	15	.10000	433
63	HILLTOP WATER SYSTEM	3/09/01		7,015							7,015					0
64	ASHLEY TRAIL - NEW POWER	2/15/07		8,661							8,661		1500B HY	15	.10000	433
Total Land				126,558		0	0	0	0	0	126,558	0				433

Machinery and Equipment

1	LAWN MOWER	5/13/05		590				590			0		2000B HY	7		0
2	LAWN MOWER	5/27/05		373				373			0		2000B HY	7		0
4	WHACKER	8/15/05		3,150				3,150			0		2000B HY	7		0
5	TOOLS	6/30/04		2,245							2,245	1,264	2000B HY	7	.28570	283
6	HONDA GENERATOR	11/18/04		1,093							1,093	614	2000B HY	7	.28570	137
7	BUCKET	11/11/04		382							382	215	2000B HY	7	.28570	48
8	VACUUM	10/04/04		366							366	206	2000B HY	7	.28570	46
9	VACUUM (NEW)	7/27/02		208				62			146	113	2000B HY	7	.40000	13
10	PUMP-COUNTRY ESTATES	10/19/01		3,975				1,192			2,783	2,410	2000B HY	7	.66670	249
11	PAINT SPRAYER	11/23/00		949							949	906	2000B HY	7		43
13	METERS	6/15/96		343				343			0		2000B HY	7		0
15	PLANER	1/11/07		233				233			0		2000B HY	7		0
16	CGA-5-PIDN NG BOILER W/DRA	2/07/06		1,535				1,535			0		2000B HY	7		0
17	INDICATOR/CONTROLLER	12/01/06		4,722				4,722			0		2000B HY	7		0
20	LADDER	3/31/92		269							269	269	2000B HY	7		0
21	ELECTRIC PRESSER CONTROL	1/31/93		2,957							2,957	2,957	2000B HY	7		0
23	HAMMER DRILL	11/04/94		225				225			0		2000B HY	7		0
24	HAND TOOL	12/16/94		210				210			0		2000B HY	7		0
25	MICROM COMPUTER	2/28/95		308				308			0		2000B HY	7		0
26	CUT OFF SAW	7/06/95		908				908			0		2000B HY	7		0

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2007 Federal Depreciation Schedule

Client 2009

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur Bonus	Special Depr. Allow.	Prior 179/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn.	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
27	PRESSURE TANK	10/15/95		195				195			0		200DB HY	7		0
28	REGULATOR/METERS	11/15/95		278				278			0		200DB HY	7		0
29	EQUIPMENT	1/15/96		1,253				1,253			0		200DB HY	7		0
30	METERS	6/15/96		264				264			0		200DB HY	7		0
31	AIR COMPRESSOR	5/15/96		465				465			0		200DB HY	7		0
32	2 PUMPS	5/15/96		1,535				1,535			0		200DB HY	7		0
33	TOOLS	10/15/96		734				734			0		200DB HY	7		0
44	GRINDER	6/15/97		205				205			0		200DB HY	7		0
45	TRACTOR ATTACHMENT	8/15/97		430				430			0		200DB HY	7		0
46	HARD DRIVE	10/15/97		129				129			0		200DB HY	5		0
47	WATER SOFTNER	11/15/97		789				789			0		200DB HY	7		0
50	CABINETS	7/17/98		1,140				1,140			0		200DB HY	7		0
51	GATEWAY COMPUTER & SOFTWARE	9/21/99		2,568				2,568			0		200DB HY	5		0
54	AIR COMPRESSOR	9/28/03		275				275			0		200DB HY	7		0
55	AUGER	4/01/03		1,375				1,375			0		200DB HY	7		0
56	INDICATOR/CONTROLLER	6/04/03		4,448				4,448			0		200DB HY	7		0
57	BLADE & SAFETY SHIELD	6/06/03		121				121			0		200DB HY	7		0
58	HEATER & THERMOSTAT	11/25/03		626				626			0		200DB HY	7		0
62	STARTER	5/15/96		552				552			0		200DB HY	7		0
65	DIGITAL PRESSURE GAGE	8/06/07		377				377			0		200DB HY	7	.28570	54
66	HANK BLOWER	10/23/07		227				227			0		200DB HY	7	.28570	32
67	TRAILER RT142 7'X14'	3/08/07		4,333				4,333			0		200DB HY	7	.28570	619
68	MILLER MATIC 252	1/22/08		2,084				2,084			0		200DB HY	7	.28570	298

Total Machinery and Equipment 49,444 0 0 31,233 0 0 18,211 8,954 1,819

1/31/08

2007 Federal Depreciation Schedule

Client 2009

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81-0384344

2/14/08

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Miscellaneous																
18	WATER SYSTEM	10/12/84		24,650							24,650	24,650	S/L	7		0
Total Miscellaneous				24,650		0	0	0	0	0	24,650	24,650				0
Total Depreciation				202,465		0	0	31,733	0	0	170,732	34,858				2,311
Grand Total Depreciation				202,465		0	0	31,733	0	0	170,732	34,858				2,311

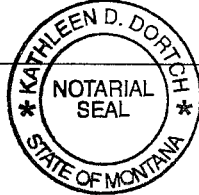
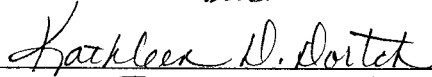
STATE OF MONTANA)
County of Flathead)

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. Billmayer, President

Subscribed and sworn to before me this 21 day of March, ~~19~~ 2008.



KATHLEEN D. DORTCH
Notary Public For The
State Of Montana
Residing at Kalispell
My Commissions Expires
October 9, 2011