



H & R WATERWORKS, INC.

Mail: PO Box 542 East Olympia, WA 98540
Offices: 3242 Capitol Blvd, Suite B Tumwater, WA 98501
Phone: 360-357-3277 Fax: 360-357-3758

April 7, 2005

Mr. Jim Ward
Washington Utilities and
Transportation Commission
PO Box 47250
Olympia WA 98504-7250

Reference: H & R Waterworks, Inc. Consolidation

Dear Mr. Ward:

Enclosed are the following documents pertaining to the merger of H & R Waterworks, Inc. with the companies listed in 1. below:

1. Journal vouchers with corresponding company Trial Balances for the following companies transferring account balances as of January 1, 2005:
 - a. Utility Management Services, LLC
 - b. Meadows Water System, LLC
 - c. Quail Run Water Company
 - d. Tall Timber Water Systems, LLC
 - e. Timberline Village Water Co., Inc.
 - f. The Water Company of Washington, LLC
 - g. Transitions Water Service LLC

The account balances represent the books on a Tax Basis.

2. Journal voucher adjusting the books of H & R Waterworks, Inc. from a Tax Basis to a UTC Basis as of January 1, 2005. Included with this journal voucher are a Summary of Acquisition Adjustments & CIAC by company and individual schedules detailing Depreciation adjustments by company.
3. A H & R Waterworks, Inc. Balance Sheet as of January 1, 2005 on a UTC Basis reflecting the above merger transactions.

If you have any questions concerning the attached, please let me know.

RECEIVED
COMMUNITY DEVELOPMENT
CO. APR - 7 11:10:40

H & R Waterworks, Inc.

A handwritten signature in black ink, appearing to read "Bob", written in a cursive style.

Robert D Mattler

Attachments

1:38 PM
 04/05/05
 Accrual Basis

H & R WATERWORKS, INC.

General Journal Transaction
 January 1, 2005

1.

| Num | Name | Memo | Account | Class | Debit | Credit |
|-------|------|--------------|-----------------------|-------|-------------------|-------------------|
| UMS | | Transfer UMS | 1190 · Cash Control | | | 5,328.06 |
| | | Transfer UMS | 1290 · A/R Control | | 255,128.93 | |
| | | Transfer UMS | 1380 · Prepaid Ex... | | | 1,865.75 |
| | | Transfer UMS | 1510 · Vehicles | | 204,128.98 | |
| | | Transfer UMS | 1530 · Machinery ... | | 159,656.83 | |
| | | Transfer UMS | 1540 · Leasehold I... | | 45,702.89 | |
| | | Transfer UMS | 1511 · Vehicles A/D | | | 155,457.00 |
| | | Transfer UMS | 1531 · Machinery ... | | | 137,758.00 |
| | | Transfer UMS | 1541 · Leasehold I... | | | 6,691.00 |
| | | Transfer UMS | 1410 · Work in Pro... | | 13,716.83 | |
| | | Transfer UMS | 2090 · A/P Control | | | 75,696.60 |
| | | Transfer UMS | 2190 · P/R Control | | | 200.79 |
| | | Transfer UMS | 2290 · Other Paya... | | | 20,000.00 |
| | | Transfer UMS | 2425 · Daewoo Ve... | | | 1,551.25 |
| | | Transfer UMS | 2430 · Ford Vehicl... | | | 21,853.75 |
| | | Transfer UMS | 2455 · Ford F450 ... | | | 24,364.22 |
| | | Transfer UMS | 2460 · Ford Range... | | | 11,225.70 |
| | | Transfer UMS | 2465 · Ford Range... | | | 11,229.40 |
| | | Transfer UMS | 2470 · Ford F150 ... | | | 15,315.01 |
| | | Transfer UMS | 2475 · Ford F350 ... | | | 14,332.09 |
| | | Transfer UMS | 2480 · Takeuchi E... | | | 34,346.92 |
| | | Transfer UMS | 2485 · Ford Range... | | | 10,697.27 |
| | | Transfer UMS | 3050 · Other Paid ... | | | 130,421.65 |
| | | | | | <u>678,334.46</u> | <u>678,334.46</u> |
| TOTAL | | | | | <u>678,334.46</u> | <u>678,334.46</u> |

1:51 PM

04/05/05

Accrual Basis

Utility Management Services, LLC

Trial Balance

As of January 1, 2005

| | Jan 1, 05 | |
|---------------------------------------|-------------------|-------------------|
| | Debit | Credit |
| 1110 · Checking - WCB | 0.00 | |
| 1120 · Checking - SSB | | 5,328.06 |
| 1210 · Accounts Receivable | 255,128.93 | |
| Deposit-Bid | 0.00 | |
| 1310 · Employee Advances | 0.00 | |
| 1350 · Inventory Asset | 0.00 | |
| 1380 · Prepaid Expenses | | 1,865.75 |
| 1390 · Other Receivables | 0.00 | |
| 1499 · Undeposited Funds | 0.00 | |
| 1510 · Automobiles & Trucks | 204,128.98 | |
| 1530 · Machinery & Equipment | 159,656.83 | |
| 1540 · Leasehold Improvements | 45,702.89 | |
| 1580 · Accumulated Depreciation | | 299,906.00 |
| 1590 · Work in Process | 13,716.83 | |
| 2010 · Accounts Payable | | 75,696.60 |
| Payable Quail Run | 0.00 | |
| 2100 · Payroll Liabilities | | 200.79 |
| 2110 · Accrued Payroll | 0.00 | |
| 2120 · Accrued Vacation | 0.00 | |
| 2200 · Excise Tax Payable | 0.00 | |
| 2210 · Garnishment Payable | 0.00 | |
| 2220 · Leasehold Improvements Payable | 0.00 | |
| 2230 · Simple Contributions Payable | 0.00 | |
| 2245 · HR Payable | 0.00 | |
| 2250 · TT Payable | 0.00 | |
| 2270 · Notes Payable - Partners | 0.00 | |
| 2280 · Line of Credit-West Coast Bank | 0.00 | |
| 2290 · Other Payables | | 20,000.00 |
| 2420 · Computer Dell Payable | 0.00 | |
| 2425 · Daewoo Vehicle Loan Payable | | 1,551.25 |
| 2430 · Ford Vehicle Loan Payable | | 21,853.75 |
| 2440 · Dell Account Payable | 0.00 | |
| 2445 · Tokai Lease Payable | 0.00 | |
| 2450 · Truck Loan Payable | 0.00 | |
| 2455 · Ford F450 Payable | | 24,364.22 |
| 2460 · Ford Ranger 4173 Payable | | 11,225.70 |
| 2465 · Ford Ranger 4086 Payable | | 11,229.40 |
| 2470 · Ford F150 Payable | | 15,315.01 |
| 2475 · Ford F350 Payable | | 14,332.09 |
| 2480 · Takeuchi Excavator Payable | | 34,346.92 |
| 2485 · Ford Ranger 9635 Payable | | 10,697.27 |
| Partner Contribution | 0.00 | |
| 3000 · Opening Bal Equity | 0.00 | |
| 3110 · Partner Capital - Harrington | | 93,259.50 |
| 3120 · Partner Capital - Adams | 0.00 | |
| 3130 · Partner Capital - Royce | | 37,162.15 |
| 3140 · Chamberlain Partner Capital | 0.00 | |
| 3910 · Retained Earnings | 0.00 | |
| TOTAL | 678,334.46 | 678,334.46 |

H & R WATERWORKS, INC.

General Journal Transaction
 January 1, 2005

| Num | Name | Memo | Account | Class | Debit | Credit |
|---------|------|----------------|------------------------|-------|---------------------|---------------------|
| Mead... | | Transfer Me... | 1190 · Cash Control | | 5,288.53 | |
| | | Transfer Me... | 1160 · Money Mar... | | 24,911.51 | |
| | | Transfer Me... | 1290 · A/R Control | | 25,286.59 | |
| | | Transfer Me... | 1350 · Note Recei... | | 3,000.00 | |
| | | Transfer Me... | 1390 · Other Rece... | | 236.00 | |
| | | Transfer Me... | 1380 · Prepaid Ex... | | 3,084.00 | |
| | | Transfer Me... | 1390 · Other Rece... | | 10,000.00 | |
| | | Transfer Me... | 1520 · Office Furn ... | | 4,255.40 | |
| | | Transfer Me... | 1625 · Structures ... | | 21,798.00 | |
| | | Transfer Me... | 1630 · Wells & Sp... | | 74,758.49 | |
| | | Transfer Me... | 1635 · Supply Mains | | 152,582.00 | |
| | | Transfer Me... | 1645 · Pumping E... | | 82,349.72 | |
| | | Transfer Me... | 1655 · Trans/Dist ... | | 276,817.55 | |
| | | Transfer Me... | 1660 · Meter/Mete... | | 198,017.01 | |
| | | Transfer Me... | 1670 · Other Plant... | | 32,400.00 | |
| | | Transfer Me... | 1680 · Water Rights | | 127,417.00 | |
| | | Transfer Me... | 1690 · Not Compe... | | 135,807.67 | |
| | | Transfer Me... | 1521 · Office Furn ... | | | 3,646.00 |
| | | Transfer Me... | 1626 · Structures ... | | | 6,228.00 |
| | | Transfer Me... | 1631 · Wells & Sp... | | | 18,858.00 |
| | | Transfer Me... | 1636 · Supply Mai... | | | 34,874.00 |
| | | Transfer Me... | 1646 · Pumping E... | | | 23,918.00 |
| | | Transfer Me... | 1656 · Trans/Dist ... | | | 44,267.00 |
| | | Transfer Me... | 1661 · Meter/Mete... | | | 64,640.00 |
| | | Transfer Me... | 1671 · Other Plant... | | | 21,747.00 |
| | | Transfer Me... | 1681 · Water Righ... | | | 67,953.00 |
| | | Transfer Me... | 1691 · Non Comp... | | | 28,340.00 |
| | | Transfer Me... | 2090 · A/P Control | | | 5,902.15 |
| | | Transfer Me... | 2265 · Deferred C... | | | 1,668.00 |
| | | Transfer Me... | 2280 · Line of Credit | | | 30,000.00 |
| | | Transfer Me... | 2290 · Other Paya... | | | 26,206.00 |
| | | Transfer Me... | 2503 · CSB - 9117... | | | 142,237.20 |
| | | Transfer Me... | 2521 · Hodges Pur... | | | 684,313.16 |
| | | Transfer Me... | 2710 · CIAC | | | 66,685.49 |
| | | Transfer Me... | 2720 · A/Amort - C... | | 8,301.00 | |
| | | Transfer Me... | 3050 · Other Paid ... | | 85,172.53 | |
| | | | | | <u>1,271,483.00</u> | <u>1,271,483.00</u> |
| TOTAL | | | | | <u>1,271,483.00</u> | <u>1,271,483.00</u> |

9:34 AM

04/05/05

Accrual Basis

Meadows Water System, LLC Trial Balance As of January 1, 2005

| | Jan 1, 05 | |
|--|----------------------------|----------------------------|
| | Debit | Credit |
| 1110 · Checking - Venture | 5,288.53 | |
| 1160 · Money Market - Surcharge | 24,911.51 | |
| 1210 · Accounts Receivable | 25,286.59 | |
| 1350 · Note Receivable - Partners | 3,000.00 | |
| 1360 · Retirement Plan Receivable | 236.00 | |
| 1380 · Prepaid Expenses | 3,084.00 | |
| 1390 · Other Receivables | 10,000.00 | |
| 1499 · *Undeposited Funds | 0.00 | |
| 1500 · Property, Plant & Equipment:1505 · Land and Land Rights | 0.00 | |
| 1500 · Property, Plant & Equipment:1520 · Office Furniture & Equipment | 4,255.40 | |
| 1500 · Property, Plant & Equipment:1620 · Utility Plant Acquisition Adj. | 0.00 | |
| 1500 · Property, Plant & Equipment:1625 · Structures and Improvements | 21,798.00 | |
| 1500 · Property, Plant & Equipment:1625 · Structures and Improvements:16... | 0.00 | |
| 1500 · Property, Plant & Equipment:1630 · Wells & Springs | 74,758.49 | |
| 1500 · Property, Plant & Equipment:1635 · Supply Mains | 152,582.00 | |
| 1500 · Property, Plant & Equipment:1645 · Pumping Equipment | 82,349.72 | |
| 1500 · Property, Plant & Equipment:1655 · Trans/Dist | 276,817.55 | |
| 1500 · Property, Plant & Equipment:1660 · Meters & Meter Installation | 198,017.01 | |
| 1500 · Property, Plant & Equipment:1670 · Other Plant & Misc. Equip. | 32,400.00 | |
| 1500 · Property, Plant & Equipment:1680 · Water Rights/Easement | 127,417.00 | |
| 1500 · Property, Plant & Equipment:1680 · Water Rights/Easement:1682 · Or... | 0.00 | |
| 1500 · Property, Plant & Equipment:1690 · Tanks | 135,807.67 | |
| 1501 · PP&E - Accumulated Depreciation:1521 · Office Equipment Accum. D... | | 3,646.00 |
| 1501 · PP&E - Accumulated Depreciation:1626 · Structures & Improvements... | | 6,228.00 |
| 1501 · PP&E - Accumulated Depreciation:1631 · Wells & Springs A/D | | 18,858.00 |
| 1501 · PP&E - Accumulated Depreciation:1636 · Supply Mains A/D | | 34,874.00 |
| 1501 · PP&E - Accumulated Depreciation:1646 · Pumping Equipment A/D | | 23,918.00 |
| 1501 · PP&E - Accumulated Depreciation:1656 · Trans/Dist A/D | | 44,267.00 |
| 1501 · PP&E - Accumulated Depreciation:1661 · Meter/Meter Instal A/D | | 64,640.00 |
| 1501 · PP&E - Accumulated Depreciation:1671 · Other Plant Accumulated A... | | 21,747.00 |
| 1501 · PP&E - Accumulated Depreciation:1681 · Water Rights/Ease A/D | | 67,953.00 |
| 1501 · PP&E - Accumulated Depreciation:1691 · Tanks A/D | | 28,340.00 |
| 1730 · Capital Facilities Fund | 0.00 | |
| 2010 · Accounts Payable | | 5,902.15 |
| 2100 · Payroll Liabilities | 0.00 | |
| 2200 · Excise Tax Payable | 0.00 | |
| 2250 · UMS Payable | 0.00 | |
| 2260 · Interest Payable | 0.00 | |
| 2265 · Deferred Compensation | | 1,668.00 |
| 2270 · Notes Payable - Partners | 0.00 | |
| 2280 · Line of Credit - FCB | | 30,000.00 |
| 2290 · Other Payables | | 26,206.00 |
| 2410 · CSB - 911737742-3 | | 142,237.20 |
| 2450 · Purchase Loan | | 684,313.16 |
| 2710 · Contributions in Aid of Const. | | 66,685.49 |
| 2720 · CIAC - Amortization | 8,301.00 | |
| 3000 · Opening Bal Equity | 0.00 | |
| 3050 · Other Paid in Capital | 0.00 | |
| 3110 · Partner Capital - Harrington | 85,172.53 | |
| 3120 · Partner Capital - Adams | 0.00 | |
| 3910 · Retained Earnings | 0.00 | |
| TOTAL | <u>1,271,483.00</u> | <u>1,271,483.00</u> |

9:52 AM
 04/05/05
 Accrual Basis

H & R WATERWORKS, INC.

General Journal Transaction
 January 1, 2005

| Num | Name | Memo | Account | Class | Debit | Credit |
|----------|------|-------------|-------------------------|-------|-------------------|-------------------|
| Quail... | | Transfer QR | 1190 · Cash Control | | 1,687.44 | |
| | | Transfer QR | 1290 · A/R Control | | 557.55 | |
| | | Transfer QR | 1350 · Note Recei... | | 1,293.76 | |
| | | Transfer QR | 1380 · Prepaid Ex... | | 756.00 | |
| | | Transfer QR | 1505 · Land and L... | | 1,000.00 | |
| | | Transfer QR | 1520 · Office Furn ... | | 8,030.39 | |
| | | Transfer QR | 1605 · Franchise ... | | 525.00 | |
| | | Transfer QR | 1610 · Service As... | | 44,954.00 | |
| | | Transfer QR | 1610 · Service As... | | 648.00 | |
| | | Transfer QR | 1620 · Utility Plant... | | | 109,709.00 |
| | | Transfer QR | 1625 · Structures ... | | 7,956.00 | |
| | | Transfer QR | 1630 · Wells & Sp... | | 21,075.00 | |
| | | Transfer QR | 1635 · Supply Mains | | 21,136.00 | |
| | | Transfer QR | 1645 · Pumping E... | | 33,165.12 | |
| | | Transfer QR | 1650 · Dist Reserv... | | 67,148.22 | |
| | | Transfer QR | 1655 · Trans/Dist ... | | 124,282.04 | |
| | | Transfer QR | 1660 · Meter/Mete... | | 40,425.30 | |
| | | Transfer QR | 1665 · Hydrants | | 20,532.00 | |
| | | Transfer QR | 1685 · Collecting/l... | | 10,510.00 | |
| | | Transfer QR | 1695 · Organizatio... | | 7,820.00 | |
| | | Transfer QR | 1521 · Office Furn ... | | | 3,171.00 |
| | | Transfer QR | 1611 · Service As... | | | 16,735.00 |
| | | Transfer QR | 1611 · Service As... | | | 366.00 |
| | | Transfer QR | 1621 · Utility Plant... | | 42,468.00 | |
| | | Transfer QR | 1626 · Structures ... | | | 3,040.00 |
| | | Transfer QR | 1631 · Wells & Sp... | | | 11,809.00 |
| | | Transfer QR | 1636 · Supply Mai... | | | 6,953.00 |
| | | Transfer QR | 1646 · Pumping E... | | | 26,132.00 |
| | | Transfer QR | 1651 · Dist Reserv... | | | 21,655.00 |
| | | Transfer QR | 1656 · Trans/Dist ... | | | 39,129.00 |
| | | Transfer QR | 1661 · Meter/Mete... | | | 12,616.00 |
| | | Transfer QR | 1666 · Hydrants A/D | | | 7,151.00 |
| | | Transfer QR | 1686 · Collecting/l... | | | 3,551.00 |
| | | Transfer QR | 1696 · Organizatio... | | | 3,231.00 |
| | | Transfer QR | 2090 · A/P Control | | | 6,063.51 |
| | | Transfer QR | 2509 · CSB - 9309... | | | 5,831.83 |
| | | Transfer QR | 2710 · CIAC | | | 53,300.00 |
| | | Transfer QR | 2720 · A/Amort - C... | | 15,600.00 | |
| | | Transfer QR | 3010 · Common S... | | | 146,004.00 |
| | | Transfer QR | 3910 · Retained E... | | 4,877.52 | |
| | | | | | <u>476,447.34</u> | <u>476,447.34</u> |
| TOTAL | | | | | <u>476,447.34</u> | <u>476,447.34</u> |

QUAIL RUN WATER COMPANY
Trial Balance
As of January 1, 2005

| | Jan 1, 05 | |
|--|--------------------------|--------------------------|
| | Debit | Credit |
| 1110 · Checking - CSB | 1,687.44 | |
| 1120 · Checking - WCB | 0.00 | |
| 1160 · Money Market | 0.00 | |
| 1210 · Accounts Receivable | 557.55 | |
| 1350 · Note Receivable - Partners | 1,293.76 | |
| 1380 · Prepaid Expenses | 756.00 | |
| 1390 · Other Receivables | 0.00 | |
| 1460 · Prepaid Federal Income Tax | 0.00 | |
| 1500 · Property, Plant & Equipment:1505 · Land and Land Rights | 1,000.00 | |
| 1500 · Property, Plant & Equipment:1510 · Vehicles | 0.00 | |
| 1500 · Property, Plant & Equipment:1520 · Office Furn & Equip | 8,030.39 | |
| 1500 · Property, Plant & Equipment:1605 · Franchise Costs | 525.00 | |
| 1500 · Property, Plant & Equipment:1610 · Service Assets | 44,954.00 | |
| 1500 · Property, Plant & Equipment:1615 · Service Asset | 648.00 | |
| 1500 · Property, Plant & Equipment:1620 · Utility Plant Acquisition | | 109,709.00 |
| 1500 · Property, Plant & Equipment:1625 · Structures & Improvements | 7,956.00 | |
| 1500 · Property, Plant & Equipment:1630 · Wells and Springs | 21,075.00 | |
| 1500 · Property, Plant & Equipment:1635 · Supply Mains | 21,136.00 | |
| 1500 · Property, Plant & Equipment:1645 · Pumping Equipment | 33,165.12 | |
| 1500 · Property, Plant & Equipment:1650 · Dist Reservoirs/Standpipes | 67,148.22 | |
| 1500 · Property, Plant & Equipment:1655 · Transmission/Dist Mains | 124,282.04 | |
| 1500 · Property, Plant & Equipment:1660 · Meters/Installations | 40,425.30 | |
| 1500 · Property, Plant & Equipment:1665 · Hydrants | 20,532.00 | |
| 1500 · Property, Plant & Equipment:1685 · Collecting/Impounding Reserve | 10,510.00 | |
| 1500 · Property, Plant & Equipment:1695 · Organization Costs | 7,820.00 | |
| 1501 · PP&E - Accumulated Depreciation:1511 · Vehicle A/D | 0.00 | |
| 1501 · PP&E - Accumulated Depreciation:1521 · Office Furn & Equip - A/D | | 3,171.00 |
| 1501 · PP&E - Accumulated Depreciation:1606 · Franchise Costs A/D | 0.00 | |
| 1501 · PP&E - Accumulated Depreciation:1611 · Service Assets - A/D | | 16,735.00 |
| 1501 · PP&E - Accumulated Depreciation:1616 · Service Asset - A/D | | 366.00 |
| 1501 · PP&E - Accumulated Depreciation:1621 · Utility Plant A/Amort | 42,468.00 | |
| 1501 · PP&E - Accumulated Depreciation:1626 · Structures & Improv - A/D | | 3,040.00 |
| 1501 · PP&E - Accumulated Depreciation:1631 · Wells and Springs - A/D | | 11,809.00 |
| 1501 · PP&E - Accumulated Depreciation:1636 · Supply Mains - A/D | | 6,953.00 |
| 1501 · PP&E - Accumulated Depreciation:1646 · Pumping Equipment - A/D | | 26,132.00 |
| 1501 · PP&E - Accumulated Depreciation:1651 · Dist Res/Stndpipes - A/D | | 21,655.00 |
| 1501 · PP&E - Accumulated Depreciation:1656 · Trans/Dist Mains - A/D | | 39,129.00 |
| 1501 · PP&E - Accumulated Depreciation:1661 · Meters/Installations - A/D | | 12,616.00 |
| 1501 · PP&E - Accumulated Depreciation:1666 · Hydrants - A/D | | 7,151.00 |
| 1501 · PP&E - Accumulated Depreciation:1686 · Collecting/Impounding Res... | | 3,551.00 |
| 1501 · PP&E - Accumulated Depreciation:1696 · Organization Costs - A/D | | 3,231.00 |
| 1710 · Investment | 0.00 | |
| 2010 · Accounts Payable | | 6,063.51 |
| 2100 · Payroll Liabilities | 0.00 | |
| 2200 · Excise Tax Payable | 0.00 | |
| 2210 · Accrued Taxes Payable | 0.00 | |
| 2250 · UMS Payable | 0.00 | |
| 2280 · Line of Credit - WCB | 0.00 | |
| 2290 · Other Payables | 0.00 | |
| 2410 · CSB - 930983423-3 | | 5,831.83 |
| 2430 · Ford Vehicle Loan Payable | 0.00 | |
| 2491 · Note WC 94588381 WSP | 0.00 | |
| 2710 · Contributions in Aid of Const. | | 53,300.00 |
| 2720 · CIAC - Accum/Amort | 15,600.00 | |
| 3000 · Opening Bal Equity | 0.00 | |
| 3010 · Common Stock Issued | | 146,004.00 |
| 3110 · Partner Capital | 0.00 | |
| 3910 · Retained Earnings | 4,877.52 | |
| TOTAL | <u>476,447.34</u> | <u>476,447.34</u> |

2:17 PM
 04/05/05
 Accrual Basis

H & R WATERWORKS, INC.

General Journal Transaction
 January 1, 2005

| Num | Name | Memo | Account | Class | Debit | Credit |
|-----------|------|-------------|------------------------|-------|---------------------|---------------------|
| Tall T... | | Transfer TT | 1190 · Cash Control | | 3,482.30 | |
| | | Transfer TT | 1290 · A/R Control | | 7,994.20 | |
| | | Transfer TT | 1380 · Prepaid Ex... | | 2,760.00 | |
| | | Transfer TT | 1505 · Land and L... | | 50,240.00 | |
| | | Transfer TT | 1520 · Office Furn ... | | 28,130.78 | |
| | | Transfer TT | 1625 · Structures ... | | 236,174.27 | |
| | | Transfer TT | 1630 · Wells & Sp... | | 121,256.45 | |
| | | Transfer TT | 1635 · Supply Mains | | 29,873.41 | |
| | | Transfer TT | 1640 · Water Trea... | | 223,087.26 | |
| | | Transfer TT | 1645 · Pumping E... | | 295,133.09 | |
| | | Transfer TT | 1650 · Dist Reserv... | | 45,025.50 | |
| | | Transfer TT | 1655 · Trans/Dist ... | | 38,221.06 | |
| | | Transfer TT | 1660 · Meter/Mete... | | 69,551.11 | |
| | | Transfer TT | 1670 · Other Plant... | | 15,209.75 | |
| | | Transfer TT | 1675 · Loan Fee | | 14,208.51 | |
| | | Transfer TT | 1690 · Not Compe... | | 5,000.00 | |
| | | Transfer TT | 1695 · Organizatio... | | 712.00 | |
| | | Transfer TT | 1506 · Easement -... | | | 25,442.00 |
| | | Transfer TT | 1521 · Office Furn ... | | | 28,005.00 |
| | | Transfer TT | 1626 · Structures ... | | | 53,508.00 |
| | | Transfer TT | 1631 · Wells & Sp... | | | 26,372.00 |
| | | Transfer TT | 1636 · Supply Mai... | | | 7,492.00 |
| | | Transfer TT | 1641 · Water Trea... | | | 36,565.00 |
| | | Transfer TT | 1646 · Pumping E... | | | 114,728.00 |
| | | Transfer TT | 1651 · Dist Reserv... | | | 5,076.00 |
| | | Transfer TT | 1656 · Trans/Dist ... | | | 3,550.00 |
| | | Transfer TT | 1661 · Meter/Mete... | | | 24,112.00 |
| | | Transfer TT | 1671 · Other Plant... | | | 7,782.00 |
| | | Transfer TT | 1676 · Loan Fee A... | | | 6,474.00 |
| | | Transfer TT | 1691 · Non Comp... | | | 2,582.00 |
| | | Transfer TT | 1696 · Organizatio... | | | 712.00 |
| | | Transfer TT | 2090 · A/P Control | | | 117,889.11 |
| | | Transfer TT | 2504 · CSB - 9117... | | | 269,922.61 |
| | | Transfer TT | 2505 · CSB - 9117... | | | 48,357.77 |
| | | Transfer TT | 2506 · CSB - 9117... | | | 76,354.36 |
| | | Transfer TT | 2551 · DaPaul Inc. | | | 2,523.49 |
| | | Transfer TT | 2552 · Felker | | | 2,922.41 |
| | | Transfer TT | 2553 · Glacier Vista | | | 23,346.93 |
| | | Transfer TT | 2554 · Hosch Esta... | | | 12,038.44 |
| | | Transfer TT | 2555 · Margaret M... | | | 8,500.00 |
| | | Transfer TT | 2556 · Richwood | | | 2,015.76 |
| | | Transfer TT | 2557 · Totten Esta... | | | 7,654.03 |
| | | Transfer TT | 2710 · CIAC | | | 221,387.25 |
| | | Transfer TT | 2720 · A/Amort - C... | | 20,797.91 | |
| | | Transfer TT | 3050 · Other Paid ... | | | 71,545.44 |
| | | | | | <u>1,206,857.60</u> | <u>1,206,857.60</u> |
| TOTAL | | | | | <u>1,206,857.60</u> | <u>1,206,857.60</u> |

2:16 PM

04/05/05

Accrual Basis

Tall Timber Water Systems, LLC
Trial Balance
As of January 1, 2005

| | Jan 1, 05 | |
|--|------------|------------|
| | Debit | Credit |
| 1110 · Checking - CSB | 3,482.30 | |
| 1120 · Checking - WCB | 0.00 | |
| 1160 · Money Market | 0.00 | |
| 1210 · Accounts Receivable | 7,994.20 | |
| 1340 · Utility Billings | 0.00 | |
| 1380 · Prepaid Expenses | 2,760.00 | |
| 1381 · Champion Est Receivable | 0.00 | |
| 1382 · Felker Receivable | 0.00 | |
| 1383 · Jade Dr. Receivable | 0.00 | |
| 1384 · Totten Estates Receivable | 0.00 | |
| 1390 · Other Receivables | 0.00 | |
| 1499 · Undeposited Funds | 0.00 | |
| 1500 · Property, Plant & Equipment:1505 · Land and Land Rights | 50,240.00 | |
| 1500 · Property, Plant & Equipment:1510 · Vehicles | 0.00 | |
| 1500 · Property, Plant & Equipment:1520 · Office Furn & Equip | 28,130.78 | |
| 1500 · Property, Plant & Equipment:1625 · Structures & Improvements | 236,174.27 | |
| 1500 · Property, Plant & Equipment:1630 · Wells & Springs | 121,256.45 | |
| 1500 · Property, Plant & Equipment:1635 · Supply Mains | 29,873.41 | |
| 1500 · Property, Plant & Equipment:1640 · Water Tx Equip | 223,087.26 | |
| 1500 · Property, Plant & Equipment:1645 · Pumping Equipment | 295,133.09 | |
| 1500 · Property, Plant & Equipment:1650 · Dist Reservoirs/Standpipes | 45,025.50 | |
| 1500 · Property, Plant & Equipment:1655 · Trans/Dist Mains | 38,221.06 | |
| 1500 · Property, Plant & Equipment:1660 · Meter/Meter Installations | 69,551.11 | |
| 1500 · Property, Plant & Equipment:1670 · Other Plant&Misc Equip | 15,209.75 | |
| 1500 · Property, Plant & Equipment:1675 · Loan Fee | 14,208.51 | |
| 1500 · Property, Plant & Equipment:1680 · Water Rights | 0.00 | |
| 1500 · Property, Plant & Equipment:1685 · Contract Rights | 0.00 | |
| 1500 · Property, Plant & Equipment:1690 · Not Compete Agreement | 5,000.00 | |
| 1500 · Property, Plant & Equipment:1695 · Organization Costs | 712.00 | |
| 1501 · PP&E - Accumulated Depreciation:1506 · Easement A/D | | 25,442.00 |
| 1501 · PP&E - Accumulated Depreciation:1511 · Vehicles A/D | 0.00 | |
| 1501 · PP&E - Accumulated Depreciation:1521 · Office Furn & Equip A/D | | 28,005.00 |
| 1501 · PP&E - Accumulated Depreciation:1626 · Structures & Improve A/D | | 53,508.00 |
| 1501 · PP&E - Accumulated Depreciation:1631 · Wells & Springs A/D | | 26,372.00 |
| 1501 · PP&E - Accumulated Depreciation:1636 · Supply Mains A/D | | 7,492.00 |
| 1501 · PP&E - Accumulated Depreciation:1641 · Water Tx Equip A/D | | 36,565.00 |
| 1501 · PP&E - Accumulated Depreciation:1646 · Pumping Equip A/D | | 114,728.00 |
| 1501 · PP&E - Accumulated Depreciation:1651 · Dist Reserv/Standpipe A/D | | 5,076.00 |
| 1501 · PP&E - Accumulated Depreciation:1656 · Trans/Dist Mains A/D | | 3,550.00 |
| 1501 · PP&E - Accumulated Depreciation:1661 · Meter/Meter Install A/D | | 24,112.00 |
| 1501 · PP&E - Accumulated Depreciation:1671 · Other Plant&Misc Equip A/D | | 7,782.00 |
| 1501 · PP&E - Accumulated Depreciation:1676 · Loan Fee A/Amort | | 6,474.00 |
| 1501 · PP&E - Accumulated Depreciation:1686 · Contract Rights A/A | 0.00 | |
| 1501 · PP&E - Accumulated Depreciation:1691 · Non Compete Agreement A/A | | 2,582.00 |
| 1501 · PP&E - Accumulated Depreciation:1696 · Organization Costs A/D | | 712.00 |
| 2010 · Accounts Payable | | 117,889.11 |
| 2200 · Excise Tax Payable | 0.00 | |
| 2250 · UMS Payable | 0.00 | |
| 2280 · Line of Credit - WCB | 0.00 | |
| 2410 · CSB 911792545-4 | | 269,922.61 |
| 2420 · CSB 911792545-5 | | 48,357.77 |
| 2430 · CSB 911792545-6 | | 76,354.36 |
| 2471 · Apricot Park I&II | 0.00 | |
| 2472 · Brandywine Payable | 0.00 | |
| 2473 · Champion Estates Payable | 0.00 | |
| 2474 · Columbia Bank | 0.00 | |
| 2475 · DaPaul Inc Bord Farms | | 2,523.49 |
| 2476 · Deshutes Payable | 0.00 | |
| 2477 · Felker Payable | | 2,922.41 |
| 2478 · Glacier Vista Payable | | 23,346.93 |
| 2479 · Hosch Estates Payable | | 12,038.44 |
| 2480 · Jade Dr. Payable | 0.00 | |
| 2481 · Margaret Meadows Payable | | 8,500.00 |
| 2482 · Richwood Payable | | 2,015.76 |

2:16 PM

04/05/05

Accrual Basis

Tall Timber Water Systems, LLC
Trial Balance
As of January 1, 2005

| | Jan 1, 05 | |
|---------------------------------|----------------------------|----------------------------|
| | Debit | Credit |
| 2483 · Rochester Partnership | 0.00 | |
| 2484 · Silver Fox 94749686 Cent | 0.00 | |
| 2485 · Surcharge Columbia Bank | 0.00 | |
| 2486 · Totten Estates Payable | | 7,654.03 |
| 2487 · Violet Meadows Payable | 0.00 | |
| 2488 · VME Payable | 0.00 | |
| 2489 · WSA Bellwood Payable | 0.00 | |
| 2491 · TMCC 0076054203001 | 0.00 | |
| 2492 · WC SBA 94710803 | 0.00 | |
| 2493 · Contract Liabilities | 0.00 | |
| 2710 · Contribs in Aid of Const | | 221,387.25 |
| 2720 · A/Amort -CIAC | 20,797.91 | |
| 3000 · Opening Bal Equity | 0.00 | |
| 3050 · Other Paid in Capital | 0.00 | |
| 3110 · Owner Distributions | 0.00 | |
| 3130 · Partner Capital Account | | 71,545.44 |
| 3910 · Retained Earnings | 0.00 | |
| TOTAL | <u>1,206,857.60</u> | <u>1,206,857.60</u> |

2:24 PM
 04/05/05
 Accrual Basis

H & R WATERWORKS, INC.

General Journal Transaction
 January 1, 2005

| Num | Name | Memo | Account | Class | Debit | Credit |
|---------|------|-------------|-----------------------|-------|-------------------|-------------------|
| Timb... | | Transfer TV | 1190 - Cash Control | | 1,251.65 | |
| | | Transfer TV | 1290 - A/R Control | | 908.88 | |
| | | Transfer TV | 1360 - Draw - SLH | | 400.00 | |
| | | Transfer TV | 1380 - Prepaid Ex... | | 840.00 | |
| | | Transfer TV | 1625 - Structures ... | | 93,748.00 | |
| | | Transfer TV | 1635 - Supply Mains | | 13,756.93 | |
| | | Transfer TV | 1645 - Pumping E... | | 59,969.59 | |
| | | Transfer TV | 1626 - Structures ... | | | 61,549.00 |
| | | Transfer TV | 1636 - Supply Mai... | | | 4,762.00 |
| | | Transfer TV | 1646 - Pumping E... | | | 12,882.00 |
| | | Transfer TV | 2090 - A/P Control | | | 75,676.35 |
| | | Transfer TV | 2190 - P/R Control | | | 1,885.83 |
| | | Transfer TV | 2290 - Other Paya... | | | 6,500.00 |
| | | Transfer TV | 2502 - CSB - 9116... | | | 35,669.46 |
| | | Transfer TV | 3010 - Common S... | | | 1,000.00 |
| | | Transfer TV | 3050 - Other Paid ... | | | 70,087.71 |
| | | Transfer TV | 3910 - Retained E... | | 99,137.30 | |
| | | | | | <u>270,012.35</u> | <u>270,012.35</u> |
| TOTAL | | | | | <u>270,012.35</u> | <u>270,012.35</u> |

2:22 PM

04/05/05

Accrual Basis

Timberline Village Water Co Inc
Trial Balance
As of January 1, 2005

| | Jan 1, 05 | |
|--|--------------------------|--------------------------|
| | Debit | Credit |
| 1110 · Checking - CSB | 1,251.65 | |
| 1130 · Checking - KB | 0.00 | |
| 1210 · Accounts Receivable | 908.88 | |
| 1360 · Draw - SLH | 400.00 | |
| 1370 · Draw - AR | 0.00 | |
| 1380 · Prepaid Expenses | 840.00 | |
| 1381 · A/R-Far West | 0.00 | |
| 1382 · Trsf A/R | 0.00 | |
| 1390 · Other Receivables | 0.00 | |
| 1499 · Undeposited Funds | 0.00 | |
| 1500 · Property, Plant and Equipment:1530 · Machinery & Equipment | 0.00 | |
| 1500 · Property, Plant and Equipment:1625 · Structures and Improvements | 93,748.00 | |
| 1500 · Property, Plant and Equipment:1635 · Supply Mains | 13,756.93 | |
| 1500 · Property, Plant and Equipment:1645 · Pumping Equipment | 59,969.59 | |
| 1501 · PP&E - Accumulated Depreciation:1580 · Accumulated Depreciation | 0.00 | |
| 1501 · PP&E - Accumulated Depreciation:1626 · Structures and Improve A/D | | 61,549.00 |
| 1501 · PP&E - Accumulated Depreciation:1636 · Supply Mains A/D | | 4,762.00 |
| 1501 · PP&E - Accumulated Depreciation:1646 · Pumping Equipment A/D | | 12,882.00 |
| 2010 · Accounts Payable | | 75,676.35 |
| 2100 · Payroll Liabilities | | 1,885.83 |
| 2200 · Excise Tax Payable | 0.00 | |
| 2250 · UMS Payable | 0.00 | |
| 2255 · HCD Payable | | 6,500.00 |
| 2291 · A/P Accruals - 95 | 0.00 | |
| 2292 · A/P Accruals - 96 | 0.00 | |
| 2293 · Due To Far West | 0.00 | |
| 2294 · Short Term Liability | 0.00 | |
| 2410 · CSB 911618622-1 | | 35,669.46 |
| 2710 · Contributions in Aid of Const | 0.00 | |
| 3000 · Opening Bal Equity | 0.00 | |
| 3010 · Common Stock | | 1,000.00 |
| 3050 · Additional Paid-in Capital | | 70,087.81 |
| 3910 · Retained Earnings | 99,137.40 | |
| TOTAL | <u>270,012.45</u> | <u>270,012.45</u> |

2:26 PM
 04/05/05
 Accrual Basis

H & R WATERWORKS, INC.

General Journal Transaction
 January 1, 2005

| Num | Name | Memo | Account | Class | Debit | Credit |
|--------|------|--------------|------------------------|-------|-------------------|-------------------|
| Wac... | | Transfer Wac | 1190 · Cash Control | | 9,266.61 | |
| | | Transfer Wac | 1290 · A/R Control | | 3,776.69 | |
| | | Transfer Wac | 1380 · Prepaid Ex... | | 708.00 | |
| | | Transfer Wac | 1390 · Other Rece... | | 10,000.00 | |
| | | Transfer Wac | 1520 · Office Furn ... | | 6,849.00 | |
| | | Transfer Wac | 1635 · Supply Mains | | 4,788.36 | |
| | | Transfer Wac | 1640 · Water Trea... | | 4,898.27 | |
| | | Transfer Wac | 1645 · Pumping E... | | 132,336.72 | |
| | | Transfer Wac | 1650 · Dist Reserv... | | 41,000.00 | |
| | | Transfer Wac | 1655 · Trans/Dist ... | | 102,500.00 | |
| | | Transfer Wac | 1660 · Meter/Mete... | | 40,542.20 | |
| | | Transfer Wac | 1521 · Office Furn ... | | | 2,283.00 |
| | | Transfer Wac | 1636 · Supply Mai... | | | 4,788.00 |
| | | Transfer Wac | 1641 · Water Trea... | | | 4,898.00 |
| | | Transfer Wac | 1646 · Pumping E... | | | 31,988.00 |
| | | Transfer Wac | 1651 · Dist Reserv... | | | 14,000.00 |
| | | Transfer Wac | 1656 · Trans/Dist ... | | | 21,950.00 |
| | | Transfer Wac | 1661 · Meter/Mete... | | | 29,043.00 |
| | | Transfer Wac | 2090 · A/P Control | | | 17,944.88 |
| | | Transfer Wac | 2507 · CSB - 9120... | | | 38,366.42 |
| | | Transfer Wac | 2508 · CSB - 9120... | | | 22,327.40 |
| | | Transfer Wac | 2522 · Countrywo... | | | 144,257.96 |
| | | Transfer Wac | 3050 · Other Paid ... | | | 24,819.19 |
| | | | | | <u>356,665.85</u> | <u>356,665.85</u> |
| TOTAL | | | | | <u>356,665.85</u> | <u>356,665.85</u> |

4:31 AM
 04/06/05
 Accrual Basis

The Water Company of Washington, LLC
Trial Balance
 As of January 1, 2005

| | Jan 1, 05 | |
|---|--------------------------|--------------------------|
| | Debit | Credit |
| 1110 · Checking - Venture | 9,266.61 | |
| 1210 · Accounts Receivable | 3,776.69 | |
| 1380 · Prepaid Expenses | 708.00 | |
| 1390 · Other Receivables | 10,000.00 | |
| 1410 · Excrow Deposit | 0.00 | |
| 1490 · Construction in Progress | 0.00 | |
| 1499 · Undeposited Funds | 0.00 | |
| 1500 · Property, Plant & Equipment:1520 · Office Furn & Equip | 6,849.00 | |
| 1500 · Property, Plant & Equipment:1620 · Utility Plant Acquisiton Adj | 0.00 | |
| 1500 · Property, Plant & Equipment:1625 · Structures & Improvements | 0.00 | |
| 1500 · Property, Plant & Equipment:1635 · Supply Mains | 4,788.36 | |
| 1500 · Property, Plant & Equipment:1640 · Water Treatment Equipment | 4,898.27 | |
| 1500 · Property, Plant & Equipment:1645 · Pumping Equipment | 132,336.72 | |
| 1500 · Property, Plant & Equipment:1650 · Dist Reservoirs/Standpipes | 41,000.00 | |
| 1500 · Property, Plant & Equipment:1655 · Trans/Dist Mains | 102,500.00 | |
| 1500 · Property, Plant & Equipment:1660 · Meter/Meter Installations | 40,542.20 | |
| 1500 · Property, Plant & Equipment:1680 · Countrywood Water System | 0.00 | |
| 1500 · Property, Plant & Equipment:1685 · Gifford Water Systems | 0.00 | |
| 1500 · Property, Plant & Equipment:1690 · Longhorn Cntry Est Water System | 0.00 | |
| 1500 · Property, Plant & Equipment:1695 · Eggiman Water System | 0.00 | |
| 1501 · PP&E - Accumulated Depreciation:1521 · Office Furn & Equip A/D | | 2,283.00 |
| 1501 · PP&E - Accumulated Depreciation:1636 · Supply Mains A/D | | 4,788.00 |
| 1501 · PP&E - Accumulated Depreciation:1641 · Water Treatment Equip A/D | | 4,898.00 |
| 1501 · PP&E - Accumulated Depreciation:1646 · Pumping Equipment A/D | | 31,988.00 |
| 1501 · PP&E - Accumulated Depreciation:1651 · Dist Reserv/Standpipes A/D | | 14,000.00 |
| 1501 · PP&E - Accumulated Depreciation:1656 · Trans/Dist Mains A/D | | 21,950.00 |
| 1501 · PP&E - Accumulated Depreciation:1661 · Meter/Meter Instal A/D | | 29,043.00 |
| 2010 · Accounts Payable | | 17,944.88 |
| 2200 · Excise Taxes Payable | 0.00 | |
| 2210 · Accrued Taxes | 0.00 | |
| 2250 · UMS Payable | 0.00 | |
| 2290 · Other Payables | 0.00 | |
| 2410 · First Community Bank | 0.00 | |
| 2420 · Gifford Water System | 0.00 | |
| 2430 · CSB 912033626-1 | 0.00 | |
| 2440 · CSB 912033626-3 | 0.00 | |
| 2445 · CSB 912033626-4 | | 38,366.42 |
| 2446 · CSB 912033626-5 | | 22,327.40 |
| 2450 · Countrywood Estates, LLC | | 144,257.96 |
| 3110 · Partner Capital - SLH | | 18,851.19 |
| 3120 · Partner Capital - NA | 0.00 | |
| 3130 · Partner Capital - AR | | 5,968.00 |
| 3910 · Retained Earnings | 0.00 | |
| TOTAL | <u>356,665.85</u> | <u>356,665.85</u> |

2:27 PM
04/05/05
Accrual Basis

H & R WATERWORKS, INC.

General Journal Transaction
January 1, 2005

| <u>Num</u> | <u>Name</u> | <u>Memo</u> | <u>Account</u> | <u>Class</u> | <u>Debit</u> | <u>Credit</u> |
|------------|-------------|-----------------|-----------------------|--------------|------------------|------------------|
| Tran... | | Transfer Tra... | 1190 · Cash Control | | 3,112.01 | |
| | | Transfer Tra... | 1290 · A/R Control | | 892.73 | |
| | | Transfer Tra... | 1645 · Pumping E... | | 7,980.59 | |
| | | Transfer Tra... | 1660 · Meter/Mete... | | 1,631.28 | |
| | | Transfer Tra... | 1646 · Pumping E... | | | 33.25 |
| | | Transfer Tra... | 1661 · Meter/Mete... | | | 38.06 |
| | | Transfer Tra... | 2090 · A/P Control | | | 14,774.26 |
| | | Transfer Tra... | 3050 · Other Paid ... | | 1,228.96 | |
| | | | | | <u>14,845.57</u> | <u>14,845.57</u> |
| TOTAL | | | | | <u>14,845.57</u> | <u>14,845.57</u> |

4:36 AM
04/06/05
Accrual Basis

Transitions Water Service LLC
Trial Balance
As of January 1, 2005

| | Jan 1, 05 | |
|--|-------------------------|-------------------------|
| | Debit | Credit |
| 1110 · Checking - CSB | 3,112.01 | |
| 1210 · Accounts Receivable | 892.73 | |
| 1380 · Prepaid Expenses | 0.00 | |
| 1500 · Property, Plant & Equipment:1645 · Pumping Equipment | 7,980.59 | |
| 1500 · Property, Plant & Equipment:1660 · Meter/Meter Installations | 1,631.28 | |
| 1501 · PP&E - Accumulated Depreciation:1646 · Pumping Equipment A/D | | 33.25 |
| 1501 · PP&E - Accumulated Depreciation:1661 · Meter/Meter Instal A/D | | 38.06 |
| 2010 · Accounts Payable | | 14,774.26 |
| 2250 · UMS Payable | 0.00 | |
| 3110 · Partner Capital - SLH | 983.00 | |
| 3120 · Partner Capital - NA | 0.00 | |
| 3130 · Partner Capital - AR | 245.96 | |
| 3910 · Retained Earnings | 0.00 | |
| TOTAL | <u>14,845.57</u> | <u>14,845.57</u> |

2.

2:11 PM
04/06/05
Accrual Basis

H & R WATERWORKS, INC.

General Journal Transaction

January 1, 2005

| Num | Name | Memo | Account | Class | Debit | Credit |
|---------|------|-----------------|-------------------------|-------|-------------------|-------------------|
| UTC ... | | Meadows A... | 1620 · Utility Plant... | | | 343,750.00 |
| | | Meadows A... | 1621 · Utility Plant... | | 100,463.00 | |
| | | Tall Timber ... | 1620 · Utility Plant... | | | 55,129.00 |
| | | Tall Timber ... | 1621 · Utility Plant... | | 16,538.00 | |
| | | H & R CIAC ... | 2710 · CIAC | | | 93,238.00 |
| | | H & R CIAC ... | 2720 · A/Amort - C... | | 57,457.00 | |
| | | Tall Timber ... | 2710 · CIAC | | | 213,179.65 |
| | | Tall Timber ... | 2720 · A/Amort - C... | | 148,412.09 | |
| | | Timberline ... | 2710 · CIAC | | | 10,700.00 |
| | | Timberline ... | 2720 · A/Amort - C... | | 1,025.00 | |
| | | Wacowa Cl... | 2710 · CIAC | | | 58,150.00 |
| | | Wacowa Cl... | 2720 · A/Amort - C... | | 5,999.00 | |
| | | Transitions ... | 2710 · CIAC | | | 500.00 |
| | | Transitions ... | 2720 · A/Amort - C... | | 13.00 | |
| | | UMS Depr Adj | 1511 · Vehicles A/D | | 58,034.00 | |
| | | UMS Depr Adj | 1531 · Machinery ... | | 52,856.00 | |
| | | Timberline ... | 1626 · Structures ... | | 3,525.00 | |
| | | Timberline ... | 1636 · Supply Mai... | | 3,485.00 | |
| | | Timberline ... | 1646 · Pumping E... | | 7,008.00 | |
| | | Wacowa De... | 1636 · Supply Mai... | | 4,452.00 | |
| | | Wacowa De... | 1641 · Water Trea... | | 4,702.00 | |
| | | Wacowa De... | 1646 · Pumping E... | | 20,750.00 | |
| | | Wacowa De... | 1651 · Dist Reserv... | | 10,963.00 | |
| | | Wacowa De... | 1656 · Trans/Dist ... | | 12,950.00 | |
| | | Wacowa De... | 1661 · Meter/Mete... | | 26,454.00 | |
| | | Tax/UTC Adjs | 3050 · Other Paid ... | | 239,560.56 | |
| | | | | | <u>774,646.65</u> | <u>774,646.65</u> |
| TOTAL | | | | | <u>774,646.65</u> | <u>774,646.65</u> |

H & R Waterworks, Inc.
Summary of Acquisition Adjustments & CIAC
As of December 31, 2004

| <u>Company</u> | <u>Acquisition Adjustment</u> | <u>A/A Amortization</u> | <u>Net Amount</u> |
|----------------|-------------------------------|-------------------------|-------------------|
| H & R | (2,840.20) | 852.50 | (1,987.70) |
| Meadows | (343,750.00) | 100,463.00 | (243,287.00) |
| Quail Run | (109,709.00) | 42,468.00 | (67,241.00) |
| Tall Timber | (55,129.00) | 16,538.00 | (38,591.00) |
| <hr/> | | | |
| Total | (511,428.20) | 160,321.50 | (351,106.70) |

| <u>Company</u> | <u>CIAC</u> | <u>CIAC Adj.</u> | <u>Net Amount</u> |
|----------------|--------------|------------------|-------------------|
| H & R | (95,551.66) | 59,182.00 | (36,369.66) |
| Meadows | (66,685.49) | 8,301.00 | (58,384.49) |
| Quail Run | (53,300.00) | 15,600.00 | (37,700.00) |
| Tall Timber | (434,566.90) | 169,410.00 | (265,156.90) |
| Timberline | (10,700.00) | 1,025.00 | (9,675.00) |
| Wacowa | (58,150.00) | 5,999.00 | (52,151.00) |
| Transitions | (500.00) | 13.00 | (487.00) |
| <hr/> | | | |
| Total | (719,454.05) | 259,530.00 | (459,924.05) |

UTILITY MANAGEMENT SERVICES LLC
 2004 UTC Depreciation Adjustment Schedule
 (Represents only items adjusted from Tax Schedule)

| Asset No. | Description | Date Acquired | Method | Life | Line No. | Unadjusted Cost or Basis | Bus % Excl | Reduction in Basis | Accumulated Depreciation | Current Sec. 179 | Amount of Depreciation | Total Depreciation |
|--------------------------------|----------------------------|---------------|--------|------|----------|--------------------------|------------|--------------------|--------------------------|------------------|------------------------|--------------------|
| 23 | Computer Monitor | 04/11/00 | SL | 5 | 17 | 339 | | | 249 | | 68 | 317 |
| 24 | Computer | 05/25/00 | SL | 5 | 17 | 1,405 | | | 1,007 | | 281 | 1,288 |
| 25 | Telephone Headsets | 06/28/00 | SL | 5 | 17 | 421 | | | 294 | | 84 | 378 |
| 28 | DN/Stand/Feeder | 08/11/00 | SL | 5 | 17 | 3,443 | | | 2,297 | | 689 | 2,986 |
| 30 | Equipment | 07/28/00 | SL | 5 | 17 | 690 | | | 472 | | 138 | 610 |
| 31 | Computer Equipment | 08/28/00 | SL | 5 | 17 | 253 | | | 170 | | 51 | 221 |
| 32 | Computers (2) | 09/22/00 | SL | 5 | 17 | 3,338 | | | 2,171 | | 668 | 2,839 |
| 33 | Computer | 12/28/00 | SL | 5 | 17 | 1,331 | | | 820 | | 266 | 1,086 |
| 34 | Daewoo Auto | 09/30/00 | SL | 7 | 21 | 15,937 | | | 7,400 | | 2,277 | 9,677 |
| 36 | P/U | 01/02/02 | SL | 5 | 17 | 18,846 | | | 7,538 | | 3,769 | 11,307 |
| 37 | 2002 Ford Excursion | 03/01/02 | SL | 5 | 17 | 47,152 | | | 17,289 | | 9,430 | 26,719 |
| 38 | Versatarm Meter Reader | 03/05/02 | SL | 7 | 17 | 5,006 | | | 1,311 | | 715 | 2,026 |
| 40 | Server Hardware | 09/06/02 | SL | 5 | 17 | 1,697 | | | 565 | | 339 | 904 |
| 41 | Big Tex Trailer | 03/24/03 | SL | 5 | 17 | 6,521 | | | 978 | | 1,304 | 2,282 |
| 42 | 2003 Ford F-450 | 04/28/03 | SL | 5 | 17 | 35,692 | | | 4,759 | | 7,138 | 11,897 |
| 43 | 2003 Ford Ranger | 05/05/03 | SL | 5 | 21 | 15,965 | | | 1,863 | | 3,193 | 5,056 |
| 44 | 2003 Ford Ranger | 05/05/03 | SL | 5 | 21 | 15,965 | | | 1,863 | | 3,193 | 5,056 |
| 45 | 2003 Ford Ranger | 05/23/03 | SL | 5 | 17 | 14,895 | | | 1,738 | | 2,979 | 4,717 |
| 46 | 2003 Ford F-150 | 06/04/03 | SL | 5 | 17 | 21,750 | | | 2,538 | | 6,960 | 9,498 |
| 47 | 2003 Ford F-350 Pump Truck | 07/24/03 | SL | 5 | 17 | 266 | | | 22 | | 53 | 75 |
| 48 | Takeuchi Mini Excavator | 07/24/03 | SL | 5 | 17 | 52,770 | | | 4,398 | | 10,554 | 14,952 |
| 49 | Smeal Pump Hoist | 08/18/03 | SL | 5 | 17 | 19,346 | | | 2,579 | | 3,869 | 6,448 |
| 50 | Mala Easy Locator | 08/25/03 | SL | 5 | 17 | 8,000 | | | 1,067 | | 1,600 | 2,667 |
| 51 | Computer Equipment | 06/09/04 | SL | 5 | 19B | 8,804 | | | | | 880 | 880 |
| 52 | Computer Network Upgrade | 06/30/04 | SL | 5 | 19B | 5,241 | | | | | 524 | 524 |
| | | | | | | | | | | | | 0 |
| Total Regular Depreciation | | | | | | 305,073 | | 0 | 63,388 | 0 | 61,022 | 124,410 |
| Total Accelerated Depreciation | | | | | | 305,073 | | 136,614 | 53,004 | | 45,682 | 235,300 |

UTC Basis Adjustment (110,890)

THE WATER COMPANY OF WASHINGTON LLC
 2004 UTC Depreciation Adjustment Schedule
 (Represents only items adjusted from Tax Schedule)

| Asset No. | Description | Date Acquired | Method | Life | Line No. | Unadjusted Cost or Basis | Bus % Excl | Reduction in Basis | Accumulated Depreciation | Current Sec. 179 | Amount of Depreciation | Total Depreciation |
|--------------------------------|-----------------------|---------------|--------|------|----------|--------------------------|------------|--------------------|--------------------------|------------------|------------------------|--------------------|
| 5 | New Valves (3) | 03/31/03 | SL | 25 | 17 | 4,788 | | | 144 | | 192 | 336 |
| 6 | ABB Water Meters | 10/07/03 | SL | 25 | 17 | 25,282 | | | 253 | | 1,011 | 1,264 |
| 7 | Water Meters (7) | 12/10/03 | SL | 25 | 17 | 1,353 | | | 5 | | 54 | 59 |
| 10 | ATEC Filter System | 01/01/04 | SL | 25 | 19G | 4,898 | | | | | 196 | 196 |
| 11 | 81 Gallon Tank | 06/30/04 | SL | 25 | 19G | 305 | | | | | 6 | 6 |
| 12 | Pumping Equipment | 10/04/04 | SL | 25 | 19G | 2,000 | | | | | 20 | 20 |
| 13 | Pumping Equipment | 11/30/04 | SL | 25 | 19G | 10,000 | | | | | 33 | 33 |
| 14 | Bladder Tanks (4) | 12/20/04 | SL | 25 | 19G | 2,272 | | | | | 8 | 8 |
| 15 | Booster Pump | 12/20/04 | SL | 25 | 19G | 819 | | | | | 3 | 3 |
| 16 | Well Pump (10 hp) | 12/31/04 | SL | 25 | 19G | 5,442 | | | | | 18 | 18 |
| 17 | Reservoirs/Standpipes | 11/30/04 | SL | 25 | 19G | 11,000 | | | | | 37 | 37 |
| 18 | Trans/Dist Mains | 10/04/04 | SL | 25 | 19G | 2,000 | | | | | 13 | 13 |
| 19 | Trans/Dist Mains | 11/30/04 | SL | 25 | 19G | 11,000 | | | | | 37 | 37 |
| 20 | Water Meter (1) | 03/31/04 | SL | 25 | 19G | 239 | | | | | 1 | 1 |
| 21 | Water Meters (3) | 06/30/04 | SL | 25 | 19G | 669 | | | | | 13 | 13 |
| 22 | Water Meters (3) | 12/31/04 | SL | 25 | 19G | 500 | | | | | 2 | 2 |
| | | | | | | | | | | | | 0 |
| Total Regular Depreciation | | | | | | 82,567 | | 0 | 402 | 0 | 1,644 | 2,046 |
| Total Accelerated Depreciation | | | | | | 82,567 | | 82,317 | | | | 82,317 |

UTC Basis Adjustment (80,271)

H & R WATERWORKS, INC.

Balance Sheet
As of January 1, 2005

Jan 1, 05

ASSETS

Current Assets

Checking/Savings

| | |
|-----------------------|-----------|
| 1110 · Checking - CSB | 6,457.79 |
| 1160 · Money Market | 24,911.51 |
| 1190 · Cash Control | 18,760.48 |

Total Checking/Savings 50,129.78

Accounts Receivable

| | |
|----------------------------|----------|
| 1210 · Accounts Receivable | 4,611.78 |
|----------------------------|----------|

Total Accounts Receivable 4,611.78

Other Current Assets

| | |
|----------------------------------|-----------|
| 1290 · A/R Control | 63,995.49 |
| 1350 · Note Receivable - Partner | 28,293.76 |
| 1360 · Draw - SLH | 400.00 |
| 1380 · Prepaid Expenses | 7,842.25 |
| 1390 · Other Receivables | 236.00 |
| 1410 · Work in Process | 13,716.83 |

Total Other Current Assets 114,484.33

Total Current Assets 169,225.89

Fixed Assets

1500 · Property, Plant & Equipment

| | |
|--------------------------------------|------------|
| 1505 · Land and Land Rights | 61,940.00 |
| 1510 · Vehicles | 204,128.98 |
| 1520 · Office Furn & Equip | 52,345.68 |
| 1530 · Machinery & Equipment | 159,656.83 |
| 1540 · Leasehold Improvements | 45,702.89 |
| 1550 · Tools, Shop & Garage Equip | 3,686.06 |
| 1605 · Franchise Costs | 525.00 |
| 1610 · Service Assets | 45,602.00 |
| 1625 · Structures & Improvements | 406,305.19 |
| 1630 · Wells & Springs | 238,171.56 |
| 1635 · Supply Mains | 228,863.70 |
| 1640 · Water Treatment Equipment | 241,209.13 |
| 1645 · Pumping Equipment | 673,830.79 |
| 1650 · Dist Reservoirs/Standpipes | 271,486.74 |
| 1655 · Trans/Dist Mains | 669,464.30 |
| 1660 · Meter/Meter Installations | 372,452.22 |
| 1665 · Hydrants | 34,549.00 |
| 1670 · Other Plant & Misc Equip | 90,069.64 |
| 1675 · Loan Fee | 15,141.16 |
| 1680 · Water Rights | 127,417.00 |
| 1685 · Collecting/Impounding Reserve | 10,510.00 |
| 1690 · Not Compete Agreement | 140,807.67 |
| 1695 · Organization Costs | 8,532.00 |

Total 1500 · Property, Plant & Equipment 4,102,397.54

1501 · PP&E - Accumulated Depreciation

| | |
|--------------------------------------|-------------|
| 1506 · Easement - A/D | -25,442.00 |
| 1511 · Vehicles A/D | -97,423.00 |
| 1521 · Office Furn & Equip A/D | -39,172.00 |
| 1531 · Machinery & Equipment A/D | -84,902.00 |
| 1541 · Leasehold Improvements A/D | -6,691.00 |
| 1551 · Tools, Shop & Garage Eq A/D | -2,701.00 |
| 1611 · Service Assets - A/D | -17,101.00 |
| 1626 · Structures & Improvements A/D | -145,949.00 |
| 1631 · Wells & Springs A/D | -72,731.16 |
| 1636 · Supply Mains A/D | -53,346.00 |
| 1641 · Water Treatment Equip A/D | -37,296.00 |
| 1646 · Pumping Equipment A/D | -228,389.67 |
| 1651 · Dist Reserv/Standpipes A/D | -69,749.00 |
| 1656 · Trans/Dist Mains A/D | -158,097.00 |
| 1661 · Meter/Meter Instal A/D | -110,625.40 |
| 1666 · Hydrants A/D | -15,002.00 |
| 1671 · Other Plant & Misc Eq A/D | -44,209.00 |
| 1676 · Loan Fee A/Amort | -7,406.00 |

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 04/06/05
 Accrual Basis

H & R WATERWORKS, INC.

Balance Sheet
 As of January 1, 2005

| | Jan 1, 05 |
|---|----------------------|
| 1681 · Water Rights/Ease A/D | -67,953.00 |
| 1686 · Collecting/Impounding Res - A/D | -3,551.00 |
| 1691 · Non Compete Agreement - A/A | -30,922.00 |
| 1696 · Organization Costs - A/D | -3,943.00 |
| Total 1501 · PP&E - Accumulated Depreci... | -1,322,601.23 |
| 1503 · Acquisition Adjustments | |
| 1620 · Utility Plant Acquisiton Adj | -511,428.20 |
| 1621 · Utility Plant A/Amort | 160,321.50 |
| Total 1503 · Acquisition Adjustments | -351,106.70 |
| Total Fixed Assets | 2,428,689.61 |
| TOTAL ASSETS | 2,597,915.50 |
| LIABILITIES & EQUITY | |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | |
| 2010 · Accounts Payable | 4,378.43 |
| Total Accounts Payable | 4,378.43 |
| Other Current Liabilities | |
| 2090 · A/P Control | 99,484.48 |
| 2190 · P/R Control | 2,086.62 |
| 2265 · Deferred Compensation | 1,668.00 |
| 2280 · Line of Credit | 30,000.00 |
| 2290 · Other Payable | 33,286.00 |
| Total Other Current Liabilities | 166,525.10 |
| Total Current Liabilities | 170,903.53 |
| Long Term Liabilities | |
| 2401 · Long Term Debt | |
| 2425 · Daewoo Vehicle Loan Payable | 1,551.25 |
| 2430 · Ford Vehicle Loan Payable | 21,853.75 |
| 2455 · Ford F450 Payable | 24,364.22 |
| 2460 · Ford Ranger 4173 Payable | 11,225.70 |
| 2465 · Ford Ranger 4086 Payable | 11,229.40 |
| 2470 · Ford F150 Payable | 15,315.01 |
| 2475 · Ford F350 Payable | 14,332.09 |
| 2480 · Takeuchi Excavator Payable | 34,346.92 |
| 2485 · Ford Ranger 9635 Payable | 10,697.27 |
| 2501 · CSB - 911369077-1 | 14,536.20 |
| 2502 · CSB - 911618622-1 | 35,669.46 |
| 2503 · CSB - 911737742-3 | 142,237.20 |
| 2504 · CSB - 911792545-4 | 269,922.61 |
| 2505 · CSB - 911792545-5 | 48,357.77 |
| 2506 · CSB - 911792545-6 | 76,354.36 |
| 2507 · CSB - 912033626-4 | 38,366.42 |
| 2508 · CSB - 912033626-5 | 22,327.40 |
| 2509 · CSB - 930983423-3 | 5,831.83 |
| 2521 · Hodges Purchase Loan | 684,313.16 |
| 2522 · Countrywood Estates | 144,257.96 |
| 2551 · DaPaul Inc. | 2,523.49 |
| 2552 · Felker | 2,922.41 |
| 2553 · Glacier Vista | 23,346.93 |
| 2554 · Hosch Estates | 12,038.44 |
| 2555 · Margaret Meadows | 8,500.00 |
| 2556 · Richwood | 2,015.76 |
| 2557 · Totten Estates | 7,654.03 |
| Total 2401 · Long Term Debt | 1,686,091.04 |
| 2701 · Contributions in Aid of Const | |
| 2710 · CIAC | 719,454.05 |
| 2720 · A/Amort - CIAC | -259,530.00 |
| Total 2701 · Contributions in Aid of Const | 459,924.05 |

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04/06/05
Accrual Basis

H & R WATERWORKS, INC.

Balance Sheet
As of January 1, 2005

| | <u>Jan 1, 05</u> |
|---------------------------------------|-----------------------------------|
| Total Long Term Liabilities | <u>2,146,015.09</u> |
| Total Liabilities | 2,316,918.62 |
| Equity | |
| 3010 - Common Stock | 157,004.00 |
| 3050 - Other Paid in Capital | 98,616.70 |
| 3910 - Retained Earnings | <u>25,376.18</u> |
| Total Equity | <u>280,996.88</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>2,597,915.50</u></u> |