

LAKES REGION WATER COMPANY INC.

420 Governor Wentworth Highway, PO Box 389
Moultonborough, NH 03254
Telephone: 603-476-2348, Fax: 603-476-2721
Hours: Monday through Friday, 8:30am to 4:30pm

Summary of the 2014 Indian Mound Project

Lakes Region Water Company ("LRWC" or "Company") has proactively identified the Indian Mound system, located in Ossipee NH, as the next division in need of upgrading and replacement of plant through its asset management program. Some of the current infrastructure was installed in 1969 and has surpassed the products life expectancy. The system is showing signs of degradation from age and impacting service to customers.

The current pumping station consists of a gravel pack well that replaced one of the two existing point wells in 2010. This leaves a second point well in need of replacement with a similar gravel pack type well. The source meters for both the 2010 GPW and the 2014 GPW will need replacement along with the plumbing.

The structure, housing all of the pumping equipment, is of similar age as other identified components of the infrastructure and is in need of both expansion and replacement. The roof, structure, foundation and drainage need to be replaced, ultimately demanding a complete replacement. During the replacement, expansion to house the new treatment equipment, pumps, meters, controls, treatment products and plumbing will be completed.

The current treatment for PH has proven to be less than efficient in maintenance. A new Georgia Marble Calcite contact system will potentially reduce maintenance expense and produce a more stable and polished product. This type of system has been utilized in other LRWC divisions and proven to be cost effective. The life expectancy of this equipment is 20 years.

Approximately 1,400 feet of the current distribution piping has been identified as being of significant age and in need of replacement. The identified line has had several breaks and caused unnecessary outages to customers. The replacement of the said water main will greatly improve service to customers.

As the water main is being replaced it is both prudent and necessary to replace 4 service lines to existing customer homes. This has been identified in the budget.

At the current time, none of the identified replacements are mandated by the New Hampshire Department of Environmental Services however a Sanitary Survey is scheduled by NHDES to be completed in 2014.

Sincerely,
Jake Dawson
Supervisor

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Website: www.Lakesregionwater.com

2014 Financing with CoBank

Balance Sheet

Assets and Other Debits

Line No. (a)	Account Title (Number) (b)	2013 Year End Balance (c)	Adjustments (d)	2008 Proformed Year End Balance (e)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 4,610,095	\$ 209,526	\$ 4,819,621
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 1,476,345	\$ (5,392)	\$ 1,470,953
3	Net Plant	\$ 3,133,750	\$ 214,918	\$ 3,348,668
4	Utility Plant Acquisition Adj. (Net) (114-115)	(87,677)		(87,677)
5	Total Net Utility Plant	\$ 3,046,073	\$ 214,918	\$ 3,260,991
OTHER PROPERTY AND INVESTMENTS				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments			
13	Special Funds (126-128)			
14	Total Other Property & Investments			
CURRENT AND ACCRUED ASSETS				
16	Cash (131)	15,108	(4,030)	11,078
17	Special Deposits (132)			
18	Other Special Deposits (133)			
19	Working Funds (134)			
20	Temporary Cash Investments (135)			
21	Accounts and Notes Receivable-Net (141-144)	137,819		137,819
22	Accounts Receivable from Assoc. Co. (145)			-
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	9,579		9,579
25	Stores Expense (161)			
26	Prepayments-Other (162)	34,859		34,859
27	Prepaid Taxes (163)	11,783		11,783
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)			
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 209,148	\$ (4,030)	\$ 205,118
DEFERRED DEBITS				
32	Unamortized Debt Discount & Expense (181)	1,637	3,267	4,904
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	228,245		228,245
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)			
40	Total Deferred Debits	\$ 229,882	\$ 3,267	\$ 233,149
TOTAL ASSETS AND OTHER DEBITS		\$ 3,485,103	\$ 214,154	\$ 3,699,257

2014 Financing with CoBank

Balance Sheet

Equity Capital and Liabilities

Line No. (a)	Account Title (Number) (b)	2013 Year End Balance (c)	Adjustments for LTD approved in DW 13-335 (d)	Adjusted 2013 Year End Balance € (e)	Adjustments (f)	2008 Proformed Year End Balance (g)
EQUITY CAPITAL						
1	Common Stock Issued (201)	\$ 10,000		\$ 10,000		\$ 10,000
2	Preferred Stock Issued (204)					
3	Capital Stock Subscribed (202,205)					
4	Stock Liability for Conversion (203, 206)					
5	Premium on Capital Stock (207)					
6	Installments Received On Capital Stock (208)					
7	Other Paid-In Capital (209,211)	955,248		955,248		955,248
8	Discount on Capital Stock (212)					
9	Capital Stock Expense(213)	(9,201)		(9,201)		(9,201)
10	Retained Earnings (214-215)	551,670		551,670	11,540	563,210
11	Reacquired Capital Stock (216)					
12	Total Equity Capital	\$ 1,507,717	\$ -	\$ 1,507,717	\$ 11,540	\$ 1,519,257
LONG TERM DEBT						
13	Bonds (221)	506,309	282,027	788,336		788,336
14	Reacquired Bonds (222)					
15	Advances from Associated Companies (223)					
16	Other Long-Term Debt (224)	95,271		95,271	202,614	297,885
17	Total Long-Term Debt	\$ 601,580	\$ 282,027	\$ 883,607	\$ 202,614	\$ 1,086,221
CURRENT AND ACCRUED LIABILITIES						
18	Accounts Payable (231)	573,682	(282,027)	291,655		291,655
19	Notes Payable (232)					
20	Accounts Payable to Associated Co. (233)					
21	Notes Payable to Associated Co. (234)					
22	Customer Deposits (235)	1,456		1,456		1,456
23	Accrued Taxes (236)	11,681		11,681		11,681
24	Accrued Interest (237)	773		773		773
25	Accrued Dividends (238)					
26	Matured Long-Term Debt (239)					
27	Matured Interest (240)					
28	Misc. Current and Accrued Liabilities (241)					
29	Total Current and Accrued Liabilities	\$ 587,592	\$ (282,027)	\$ 305,565	\$ -	\$ 305,565
DEFERRED CREDITS						
30	Unamortized Premium on Debt (251)					
31	Advances for Construction (252)					
32	Other Deferred Credits (253)					
33	Accumulated Deferred Investment Tax Credits (255)					
34	Accumulated Deferred Income Taxes:					
35	Accelerated Amortization (281)					
36	Liberalized Depreciation (282)	171,289		171,289		171,289
37	Other (283)					
38	Total Deferred Credits	\$ 171,289	\$ -	\$ 171,289	\$ -	\$ 171,289
OPERATING RESERVES						
39	Property Insurance Reserve (261)					
40	Injuries and Damages Reserve (262)					
41	Pensions and Benefits Reserves (263)					
42	Miscellaneous Operating Reserves (265)					
43	Total Operating Reserves					
CONTRIBUTIONS IN AID OF CONSTRUCTION						
44	Contributions in Aid of Construction (271)	849,099		849,099		849,099
45	Accumulated Amortization of C.I.A.C. (272)	232,174		232,174		232,174
46	Total Net C.I.A.C.	\$ 616,925	\$ -	\$ 616,925	\$ -	\$ 616,925
46	TOTAL EQUITY CAPITAL AND LIABILITIES	\$ 3,485,103	\$ -	\$ 3,485,103	\$ 214,154	\$ 3,699,257

2014 Financing with CoBank

Statement of Income

Line No. (a)	Account Title (Number) (b)	2013 Year End Balance (c)	Adjustments (d)	2008 Proformed Year End Balance (e)
	UTILITY OPERATING INCOME			
1	Operating Revenues(400)	\$ 1,265,052	\$ 34,781	\$ 1,299,833
2	Operating Expenses:			
3	Operating and Maintenance Expense (401)	807,778	-	807,778
4	Depreciation Expense (403)	142,206	11,878	154,084
5	Amortization of Contribution in Aid of Construction (405)	(16,911)		(16,911)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(5,708)		(5,708)
7	Amortization Expense-Other (407)			
8	Taxes Other Than Income (408.1-408.13)	75,811	1,885	77,696
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	77,644		77,644
10	Total Operating Expenses	\$ 1,080,820	\$ 13,763	\$ 1,094,583
11	Net Operating Income (Loss)	184,232	21,018	205,250
12	Income From Utility Plant Leased to Others (413)			
13	Gains(Losses) From Disposition of Utility Property (414)			-
14	Net Water Utility Operating Income	\$ 184,232	\$ 21,018	\$ 205,250
	OTHER INCOME AND DEDUCTIONS			
15	Revenues From Merchandising, Jobbing and Contract Work (415)			-
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)			
17	Equity in Earnings of Subsidiary Companies (418)			
18	Interest and Dividend Income (419)	5,865		5,865
19	Allow. for funds Used During Construction (420)			
20	Nonutility Income (421)			-
21	Gains (Losses) Form Disposition Nonutility Property (422)			
22	Miscellaneous Nonutility Expenses (426)	(2,141)		(2,141)
23	Total Other Income and Deductions	\$ 3,724	\$ -	\$ 3,724
	TAXES APPLICABLE TO OTHER INCOME			
24	Taxes Other Than Income (408.2)			
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)			
26	Total Taxes Applicable To Other Income			
	INTEREST EXPENSE			
27	Interest Expense (427)	50,396	9,245	59,641
28	Amortization of Debt Discount & Expense (428)	1,788	233	2,021
29	Amortization of Premium on Debt (429)			
30	Total Interest Expense	\$ 52,184	\$ 9,478	\$ 61,662
31	Income Before Extraordinary Items	135,772	11,540	147,312
	EXTRAORDINARY ITEMS			
32	Extraordinary Income (433)			
33	Extraordinary Deductions (434)			
34	Income Taxes, Extraordinary Items (409.3)			
35	Net Extraordinary Items			
	NET INCOME (LOSS)	\$ 135,772	\$ 11,540	\$ 147,312

2014 Financing with CoBank

Capital Structure

Line No. (a)	Account Title (Number) (b)	Adjusted 12/31/2013 (c)	Proforma Adjustments (d)	Proformed 12/31/2013 (e)
EQUITY CAPITAL				
1	Common Stock Issued (201)	\$ 10,000		\$ 10,000
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)	955,248		955,248
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)			
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	(9,201)		-9,201
10	Retained Earnings (214-215)	551,670	11,540	563,210
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	\$ 1,507,717	\$ 11,540	\$ 1,519,257
LONG TERM DEBT				
13	Bonds (221)	788,336		788,336
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	95,271	202,614	297,885
17	Total Long-Term Debt	\$ 883,607	\$ 202,614	\$ 1,086,221
	Total Capitalization	\$ 2,391,324	\$ 214,154	\$ 2,605,478

Capitalization Ratios

Line No.	Account Title (Number) (a)	12/31/2004	Proforma Adjustments	Proformed 12/31/2008
EQUITY CAPITAL				
1	Common Stock Issued (201)	0.42%		0.38%
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			36.66%
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	39.95%		
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	-0.38%		-0.35%
10	Retained Earnings (214-215)	23.07%	5.39%	21.62%
11	Reacquired Capital Stock (216)			
12	Total Equity Capital	63.05%	5.39%	58.31%
LONG TERM DEBT				
13	Bonds (221)	32.97%		30.26%
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	3.98%	94.61%	11.43%
17	Total Long-Term Debt	36.95%	94.61%	41.69%
	Total Capitalization	100.00%	100.00%	100.00%

2014 Financing with CoBank

Journal Entries				Impact on NI
JE#1	Dr. Miscellaneous Deferred Debits	3,500		
	Cr. Cash		3,500	
	To record costs associated with financing and step increase (See SPS 10)			
JE#2	Dr. Cash	226,796		
	Cr. Other Long Term Debt		226,796	
	To record receipt of cash and additional long term debt (See SPS 9)			
JE#3	Dr. Accumulated Depreciation	17,270		
	Cr. Plant		17,270	
	To record retirement of IM plant			
JE#4	Dr. Plant	226,796		
	Cr. Cash		226,796	
	To record additional investment in plant (See SPS 7)			
JE#5	Dr. Depreciation Expense	11,878		(11,878)
	Cr. Accumulated Depreciation		11,878	
	To record annual depreciation expense (See SPS 7)			
JE#6	Dr. Operating Expenses			0
	Cr. Cash			
	To record increase in operating expenses			
JE#7	Dr. Taxes other than Income - State	842		(842)
	Dr. Taxes other than Income - Local	1,042		(1,042)
	Cr. Cash		1,885	
	To record increase in property taxes (See SPS 8)			
JE#8	Dr. Other Long Debt	5,730		
	Dr. Interest Expense	6,994		(6,994)
	Cr. Cash		12,724	
	To record year 1 repayment of principal and interest on CoBank Note			
	Dr. Other Long Debt	5,589		
	Dr. Interest Expense	1,824		(1,824)
	Cr. Cash		7,413	
	To record year 1 repayment of principal and interest on Ford Motor Credit Co. loan			
	Dr. Other Long Debt	12,863		
	Dr. Interest Expense	427		(427)
	Cr. Cash		13,290	
	To record year 1 repayment of principal and interest on Southworth- Milton loan			
JE#9	Dr. Amortization of Debt Expense (\$3,500 / 15 yrs.)	233		(233)
	Cr. Miscellaneous Deferred Debt		233	
	To record amortization of debt expense			
JE#10	Dr. Cash	34,781		
	Cr. Revenue		34,781	34,781
	To record receipt of revenue (See SPS 5)			
	Total Impact on Net Income			11,540

2014 Financing with CoBank

Preliminary Calculation of Revenue Requirement

Plant Additions/Retirements:

Plant Additions

307	Source	\$ 9,775
311	Pumping	4,500
334	Meters	6,500
304	Tank	40,000
320	Treatment	24,000
304	Structures	27,000
331	Mains	14,000
333	Services	4,000
341	Transportation Equipment	97,021
	TOTAL	<u>\$ 226,796</u>

Plant Retirements	<u>17,270</u>
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Net Additions/Retirements	\$209,526
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Add: Accum Depr on Retired Plant	17,270
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Less: Accum Depr on New Plant	<u>(11,878)</u>
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Net Plant	<u>\$214,918</u>
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Plus: Working Capital	<u>0</u>
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Total Additional Rate Base	\$214,918
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Rate of Return	<u>4.25%</u>
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Additional Net Operating Income Required	<u>\$9,140</u>
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Increase in Operating and Maintenance Expenses	0
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Increase in Depreciation Expense	23,757
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Increase in Taxes other than Income - State	842
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Increase in Taxes other than Income - Town	<u>1,042</u>
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Total Increase in Operating Expenses	<u>25,641</u>
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Total Additional Revenue Required	\$34,781
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2013 Operating Revenues	<u>1,265,052</u>
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Total Revenue Required	<u>\$1,299,833</u>
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Percentage Increase Required	<u>2.75%</u>
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SPSt. Cyr

10/2/2014

2014 Financing with CoBank

Actual Rate of Return

<u>Debt Holder</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>Amortization of Fin Costs</u>	<u>Total Interest</u>	<u>Cost Rate</u>
Southworth- Milton, Inc.	\$65,250	0.72%	\$427	\$0	\$427	0.65%
Ford Motor Credit Co.	\$31,771	6.24%	\$1,824	\$0	\$1,824	5.74%
CoBank	<u>\$129,775</u>	5.50%	<u>\$6,994</u>	<u>\$400</u>	<u>\$7,394</u>	5.70%
Total Cost of Debt	<u>\$226,796</u>		<u>\$9,245</u>	<u>\$400</u>	<u>\$9,645</u>	4.25%

2014 Financing with CoBank

Plant

Preliminary Accumulated Depreciation and Depreciation Expense

PUC Acct. No.	Description	Cost	Depr. Rate	Annual Cost	Accum Depr.
	<u>Indian Mound</u>				
307	Source	\$ 9,775	3.30%	\$ 323	\$ 161
311	Pumping	4,500	10.00%	450	225
334	Meters	6,500	5.00%	325	163
304	Tank	40,000	2.50%	1,000	500
320	Treatment	24,000	5.00%	1,200	600
304	Structures	27,000	2.50%	675	338
331	Mains	14,000	2.00%	280	140
333	Services	4,000	2.50%	100	50
341	Transportation Equipment	<u>97,021</u>	20.00%	<u>19,404</u>	<u>9,702</u>
	TOTAL	\$ 226,796		\$ 23,757	\$ 11,878

SPSt. Cyr
10/2/2014

2014 Financing with CoBank**Taxes**Total
Projected
CostsState Property Taxes

Indian Mound Water System	\$129,775
Accumulated Depreciation	<u>2,176</u>
Net Plant	<u>\$127,599</u>
Thousand Dollars of Assessed Value	\$128
Property Tax Rate	<u>6.60</u>
State Property Taxes	<u>\$842</u>

Local Property Taxes

Total Project Costs	\$129,775
Accumulated Depreciation	<u>2,176</u>
Net Plant	<u>\$127,599</u>
Thousand Dollars of Assessed Value	\$128
Property Tax Rate	<u>8.17</u>
Local Property Taxes	<u>\$1,042</u>

SPSt. Cyr
10/2/2014

2014 Financing with CoBank

Total Costs of Projects	<u>\$226,796</u>
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Source of Funds:

2014 Installment Sale contract with Southworth-Milton, Inc.	\$ 65,250
2014 Ford Motor Credit Co.	31,771
CoBank	<u>129,775</u>
Total Source of Funds	<u>\$ 226,796</u>

Use of Funds:

2014 Caterpillar Model 304E CR Excavator	\$ 65,250
2014 Ford F150	31,771
2014 Capital Improvements to Indian Mound Water System	<u>129,775</u>
Total Use of Funds	<u>\$ 226,796</u>

SPSt. Cyr
10/2/2014

2014 Financing with CoBank**Estimated Financing Costs**

CoBank	\$ 500
Stephen P. St. Cyr & Associates	<u>3,000</u>
Total Financing Costs	<u>\$ 3,500</u>

SPSt. Cyr
10/2/2014