



FINANCIAL STATEMENTS

April 30, 2009 and 2008

(With Independent Auditors' Report Thereon)



INDEPENDENT AUDITORS' REPORT

Board of Directors
Ames Lake Water Association

We have audited the accompanying statements of assets, liabilities and membership equity--cash basis of Ames Lake Water Association (the Association) as of April 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets--cash basis for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, Basis of Presentation, the Association's policy is to prepare its financial statements using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in Note 2, Contributions in Aid of Construction, it is impractical for us to confirm the value of contributed improvements to the water system. Accordingly, we do not express an opinion as to the value of the contributed property and equipment in the financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to confirm the value of contributed improvements to the water system, the financial statements referred to in the first paragraph above present fairly, in all material respects, the assets, liabilities and membership equity of Ames Lake Water Association as of April 30, 2009 and 2008, and its revenues, expenses and changes in its net assets for the years then ended, on the basis of accounting described in Note 2.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of expenses on page 9 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vine Dahlen PLLC

August 21, 2009

AMES LAKE WATER ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES AND MEMBERSHIP EQUITY--CASH BASIS
April 30, 2009 and 2008

ASSETS

	2009	2008
CURRENT ASSETS:		
Cash and equivalents	\$ 539,747	\$ 100,996
Investments	0	206,526
Prepaid expenses	7,406	7,406
TOTAL CURRENT ASSETS	547,153	314,928
OTHER ASSETS:		
Property and equipment, net	3,134,379	3,249,628
Easements	13,500	13,500
TOTAL OTHER ASSETS	3,147,879	3,263,128
	\$ 3,695,032	\$ 3,578,056

LIABILITIES AND MEMBERSHIP EQUITY

CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 28,000	\$ 33,000
Taxes withheld	4,843	4,843
TOTAL CURRENT LIABILITIES	32,843	37,843
LONG-TERM DEBT, net of current portion	850,406	889,467
MEMBERSHIP EQUITY:		
Membership certificates	1,157,900	1,159,900
Unrestricted net assets	1,653,883	1,490,846
TOTAL MEMBERSHIP EQUITY	2,811,783	2,650,746
	\$ 3,695,032	\$ 3,578,056

AMES LAKE WATER ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS--CASH BASIS
For the Years Ended April 30, 2009 and 2008

	2009	2008
REVENUES:		
Membership fees	\$ 621,392	\$ 493,215
Contributions in aid of construction	12,503	20,609
TOTAL REVENUES	633,895	513,824
EXPENSES:		
Program services:		
Water distribution	398,367	382,577
Supporting services:		
Administration	162,561	165,997
TOTAL EXPENSES	560,928	548,574
INCOME (LOSS) FROM OPERATIONS	72,967	(34,750)
ASSESSMENT ACTIVITY:		
Assessments	335,494	234,738
Interest expense	(47,348)	(48,937)
Depreciation	(187,863)	(189,004)
	100,283	(3,203)
OTHER INCOME (EXPENSE):		
Interest and dividend income	5,976	15,450
Unrealized loss on investments	(32,461)	(95,360)
Rental income	16,272	16,272
	(10,213)	(63,638)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	163,037	(101,591)
BEGINNING UNRESTRICTED NET ASSETS	1,490,846	1,592,437
ENDING UNRESTRICTED NET ASSETS	\$ 1,653,883	\$ 1,490,846

See accompanying notes to financial statements.

AMES LAKE WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
April 30, 2009 and 2008

1. NATURE OF ACTIVITIES

Ames Lake Water Association (the Association) is a not-for-profit consumer owned cooperative located in unincorporated north central King County, Washington, whose purpose is to provide water services to its members. The Association is a nonprofit corporation under the laws of the State of Washington.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Association is presented to assist in understanding the Association's financial statements. These financial statements have been prepared on the cash basis of accounting and these accounting principles have been consistently applied in the preparation of the financial statements.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation

The records of the Association are maintained on the cash basis of accounting and the accompanying statements have been prepared on that basis. Noncash transactions are not recognized except changes in fair value of investments, depreciation, in-kind contributions in aid of construction, and amortization of loan principal.

The cash basis differs from U.S. generally accepted accounting principles primarily because certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. The cash basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has no temporarily or permanently restricted net assets.

Cash and equivalents

Cash and equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of assets, liabilities and membership equity -- cash basis.

The balance in investments at April 30, 2008 was invested in mutual funds.

AMES LAKE WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are recorded at cost if purchased and fair value at the date of acquisition if received as a donation. Water districts are required to update and submit a comprehensive plan every six years to various authoritative agencies. Provision for depreciation of all items of property and equipment is computed on the straight-line method over the estimated useful lives of the assets: 15 - 40 years for wells, pumps and water distribution systems, 40 years for fire hydrants included in machines and equipment, 10 years for other assets in machines and equipment, vehicles, and all office equipment, and 3 years for computer software that is included in office equipment.

Contributions in aid of construction

All contributions received by the Association involve improvements or additions to the existing water distribution system. Certain water service extensions are contributed by developers to the Association in exchange for membership certificates and the right to obtain water from the Association. The estimated costs of such extensions are added to property and equipment and the appropriate number of memberships granted are added to the membership certificates balance. Where the value of the extensions exceeds the value of certificates granted, the difference is recorded as a contribution in aid of construction and is added to the current year's revenues.

When the Association receives water system improvements contributed by developers where actual cost or confirmation of cost from developers is unavailable, the Association's management estimates the fair value of the contributions at the date of acquisition.

Federal income taxes

The Association has obtained tax exempt status under Section 501(c)(12) of the Internal Revenue Code. An organization described in Section 501(c)(12) must receive at least 85% of its income from amounts collected from members for the sole purpose of meeting current and future losses and expenses.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2009	2008
Land	\$ 32,500	\$ 32,500
Construction in progress	30,964	0
Wells, pumps and water distribution systems	5,690,871	5,658,191
Machines and equipment	69,760	69,760
Office equipment	23,573	14,603
Vehicles	13,486	13,486
	5,861,154	5,788,540
Less accumulated depreciation	2,726,775	2,538,912
	\$ 3,134,379	\$ 3,249,628

Depreciation expense totaled \$187,863 and \$189,004 for the years ended April 30, 2009 and 2008, respectively.

AMES LAKE WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

4. LONG-TERM DEBT

Notes payable to the United States Department of Agriculture (USDA):

	2009	2008
Payable in monthly installments of \$2,121, including interest at 5.25%. The note matures in 2033.	\$ 349,576	\$ 356,476
Payable in monthly installments of \$2,310, including interest at 4.625%. The note matures in 2044.	328,915	341,114
Payable in monthly installments of \$1,055, including interest at 6.5%. The note matures in 2028.	135,544	139,261
Payable in monthly installments of \$604, including interest at 5%. The note matures in 2021.	64,371	68,293
Payable in annual installments of \$7,933, including interest at 5%. The note was paid in full in March 2009.	0	10,458
Payable in annual installments of \$1,778, including interest at 5%. The note was paid in full in March 2009.	0	6,865
	878,406	922,467
Less current portion	28,000	33,000
	\$ 850,406	\$ 889,467

Future maturities of long-term debt are as follows:

<u>Years ending April 30,</u>		
2010	\$	28,000
2011		30,000
2012		31,000
2013		33,000
2014		35,000
Thereafter		721,406
	\$	878,406

All property and equipment as disclosed in Note 3, accounts receivable and future revenue are secured as collateral for notes payable to the USDA above.

AMES LAKE WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

5. MEMBERSHIP CERTIFICATES

Upon joining the Association, each member is required to purchase a membership certificate as their contribution to capital. Following is a summary of membership certificates:

	2009		2008	
	Number	Value	Number	Value
Beginning Balance	1,160	\$ 1,159,900	1,154	\$ 1,147,900
Issued	0	0	8	16,000
Repurchased	(1)	(2,000)	(2)	(4,000)
Ending Balance	1,159	\$ 1,157,900	1,160	\$ 1,159,900

During the years ended April 30, 2009 and 2008, unused membership certificates were repurchased by the Association. The memberships were repurchased at the amount of a membership fee on the current fee schedule. On August 14, 2007, the Board approved an emergency interim moratorium on the issuance of new memberships. The moratorium was extended until August 31, 2009.

6. COMMITMENTS

The Association is the lessor of property with the following lease term: \$6,912 per year beginning August 2005 through July 2010. The tenant has the option to extend the lease for two additional five-year terms. Lease income for each of the years ended April 30, 2009 and 2008 was \$6,912.

On October 23, 2000, the Association entered into a use agreement which authorizes and consents to the subleasing of the property by the tenant under the same effective dates as the tenant's original lease agreement. For granting the consent for the tenant to sublease, the Association will receive the following consideration under the use agreement: \$5,040 per year for the first user and an additional \$1,440 per year for each additional user. The tenant as sublessor then has the option to extend this use agreement for two additional five-year terms. Consideration for granting consent to sublease for each of the years ended April 30, 2009 and 2008 was \$9,360.

Future minimum rental payments to be received under the non-cancelable lease are \$6,912 for the year ending April 30, 2010.

7. RELATED PARTY TRANSACTIONS

A member of Ames Lake Water Association is engaged to provide consulting services to the Association. Payments to this member totaled \$9,482 and \$9,760 for the years ended April 30, 2009 and 2008, respectively.

A member of Ames Lake Water Association is an employee of the Association. Payments to this member totaled \$31,400 and \$38,312 for the years ended April 30, 2009 and 2008, respectively.

SUPPLEMENTARY INFORMATION

AMES LAKE WATER ASSOCIATION
SCHEDULES OF EXPENSES--CASH BASIS
For the Years Ended April 30, 2009 and 2008

	2009	2008
WATER DISTRIBUTION:		
Salaries and related expenses	\$ 170,830	\$ 123,925
Repairs and maintenance	57,325	52,109
Consulting fees	42,923	57,755
Utilities	32,023	34,323
Supplies	28,294	34,728
Taxes	27,416	21,859
Travel	9,516	10,769
Insurance	8,835	8,899
Rent	8,800	9,100
Chemicals	4,557	10,594
Licenses and permits	3,699	8,044
Miscellaneous	4,149	1,963
Subcontractors	0	8,509
	398,367	382,577
ADMINISTRATION:		
Salaries and related expenses	81,936	87,850
Professional fees	43,558	39,199
Office expense and supplies	13,523	14,308
Rent	11,459	12,155
Director reimbursement and meetings	4,954	5,495
Telephone	3,903	3,702
Information systems	2,187	3,194
Miscellaneous expense	1,041	94
	162,561	165,997
TOTAL EXPENSES	\$ 560,928	\$ 548,574