

AHA WATER COOPERATIVE, INC.

FINANCIAL STATEMENTS

Years Ended April 30, 2013 and 2012

AHA WATER COOPERATIVE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members

AHA Water Cooperative, Inc.

Montgomery Center, Vermont

We have audited the accompanying balance sheets of AHA Water Cooperative, Inc. (a nonprofit organization) as of April 30, 2013 and 2012, and the related statements of operations and fund balance and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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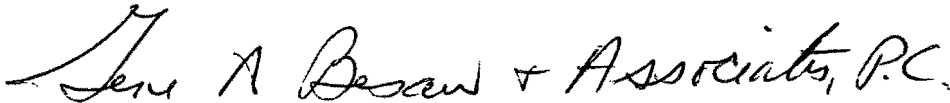
To the Board of Directors and Members
AHA Water Cooperative, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AHA Water Cooperative, Inc. as of April 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.



Newport, Vermont

May 29, 2013

92-0000568

AHA WATER COOPERATIVE, INC.
BALANCE SHEETS
APRIL 30, 2013 and 2012

ASSETS		
	<u>2013</u>	<u>2012</u>
Current Assets		
Cash	\$ 45,222	\$ 37,798
Accounts receivable net of allowance for doubtful accounts \$13,706 for 2013 and 2012	21,207	17,303
Prepaid insurance	<u>2,559</u>	<u>2,343</u>
Total current assets	<u>68,988</u>	<u>57,444</u>
Fixed Assets		
Water system	1,543,582	1,540,706
Accumulated depreciation	<u>(363,793)</u>	<u>(309,047)</u>
Total fixed assets	<u>1,179,789</u>	<u>1,231,659</u>
Other Assets		
Restricted cash	<u>78,874</u>	<u>77,430</u>
Total assets	<u>\$ 1,327,651</u>	<u>\$ 1,366,533</u>
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable	\$ 26,804	\$ 23,146
Accrued expenses	4,075	3,869
Note payable - VEDA current portion	<u>49,800</u>	<u>49,800</u>
Total current liabilities	<u>80,679</u>	<u>76,815</u>
Long-Term Liabilities		
Note payable - VEDA	1,223,611	1,273,412
Working capital advances	<u>31,296</u>	<u>31,296</u>
Total long-term liabilities	<u>1,254,907</u>	<u>1,304,708</u>
Total liabilities	1,335,586	1,381,523
Fund Balance	<u>(7,935)</u>	<u>(14,990)</u>
Total liabilities and fund balance	<u>\$ 1,327,651</u>	<u>\$ 1,366,533</u>

See notes to financial statements

AHA WATER COOPERATIVE, INC.
STATEMENTS OF OPERATIONS AND FUND BALANCE
Years Ended April 30, 2013 and 2012

	2013	2012
Revenue		
Assessments	\$ 53,332	\$ 54,151
Capital improvement assessments	51,300	51,570
Reimbursable service charges	2,086	865
Finance charges	3,714	2,947
Miscellaneous income	-	14
Interest income	195	249
	Total revenue	110,627
	110,627	109,796
Operating Expenses		
Contract operator	10,447	9,000
Power	8,386	8,847
Maintenance and repairs	8,022	20,487
Chemicals and testing	1,550	3,900
	Total operating expenses	42,234
	28,405	42,234
General Expenses		
Bad debts	-	6,179
Office	691	523
Insurance	4,027	3,921
Accounting and legal	9,257	10,513
Municipal taxes - well land	1,633	-
Collections	2,347	-
Miscellaneous	1,329	1,323
Telephone	423	543
Annual meeting supplies	106	431
Propane	389	809
Fees and dues	220	180
	Total general expenses	24,422
	20,422	24,422
	Total expenses	66,656
	48,827	66,656
	Excess of revenues over expenses before depreciation	43,140
	61,800	43,140
Depreciation	(54,745)	(54,675)
	Excess of revenues over (under) expenses	(11,535)
	7,055	(11,535)
Fund Balance, Beginning of year	(14,990)	(3,455)
	Fund Balance, End of year	(14,990)
	\$ (7,935)	\$ (14,990)

See notes to financial statements

AHA WATER COOPERATIVE, INC.
STATEMENTS OF CASH FLOWS
Years Ended April 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Excess revenues over (under) expenses	\$ 7,055	\$ (11,535)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities:		
Depreciation	54,745	54,675
Decrease (increase) in current assets:		
Accounts receivable	(3,904)	(507)
Prepaid insurance	(216)	919
Increase (decrease) in current liabilities:		
Accounts payable	3,658	57
Accrued expenses	206	300
	61,544	43,909
 Cash Flows From Investing Activities		
Purchase of fixed assets	(2,875)	-
Decrease (increase) in restricted cash	(1,444)	1888
	(4,319)	1888
 Cash Flows From Financing Activities		
Payments on long-term debt	(49,801)	(49,802)
	7,424	(4,005)
 Cash, Beginning of year	37,798	41,803
 Cash, End of year	\$ 45,222	\$ 37,798

See notes to financial statements

AHA WATER COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Organization

AHA Water Cooperative, Inc., the (Cooperative), is located in the towns of Montgomery and Westfield, Vermont. It was incorporated in October 1998 under Vermont non-profit consumer cooperative statutes. The Cooperative is responsible for providing water to 95 users, substantially all who reside in the community known as Alpine Haven.

Note 2. Significant Accounting Policies

Water System: The water system is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from ten (10) to thirty (30) years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Cooperative considers all highly liquid investments with a maturity of three (3) months or less to be cash equivalents.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Improvement Assessments: The capital improvement assessments are assessed to cover principal payments on the Vermont Economic Development Authority loan. The proceeds from the loan were used to finance the improvement of the water system.

Note 3. Restricted Cash

The Board of Directors has established a restricted cash account for the purpose of maintaining the capital improvement assessments and paying the monthly payment on the VEDA loan. At April 30, 2013 and 2012, the balance was \$78,874 and \$77,430 respectively.

Note 4. Accounts Receivable

Accounts receivable are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed. The Cooperative uses the allowance method to account for uncollectible receivable balances. Under the allowance method, if needed, an estimate of uncollectible customer balances is made based upon specific account balances that are considered uncollectible. Factors used to establish an allowance include the credit quality of the customer and whether the balance

AHA WATER COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4. Accounts Receivable (continued)

is significant. When an account balance is past due and attempts have been made to collect the receivable through legal or other means, the amount is considered uncollectible and written off. At April 30, 2013 and 2012, there was an allowance balance of \$13,706 for each year. Accounts receivable had a balance in the amount of \$34,913 at April 30, 2013, and \$31,009 at April 30, 2012.

Note 5. Vermont Economic Development Authority (VEDA) Note Payable

The Cooperative financed the water system improvements needed to provide acceptable water service to its users under the rules and regulations of the Vermont Water Supply Division.

The note is repayable in monthly payments of \$4,150 with 0% interest due December 2037. The debt is secured by assets of the water system and collateral assignment of all member assessments and contributions.

Maturities of long-term debt at April 30, 2013, are as follows:

2014	\$	49,800
2015		49,800
2016		49,800
2017		49,800
2018		49,800
Subsequent		<u>1,024,411</u>
		<u>\$ 1,273,411</u>

Note 6. Income Taxes

The Cooperative is exempt from federal and state income taxation under the provisions of the Internal Revenue Service Code Section 501 (c) (12) and Vermont Code 11 V.S.A. Section 991(4). The form 990 is subject to examination for a period of (3) three years from the date the form was filed. As of April 30, 2013, fiscal years 2012, 2011, and 2010 were subject to examination.

Note 7. Related Parties

Alpine Haven Property Owner's Association, Inc. billed the Cooperative for property assessments in the amount of \$1,014 and \$1,164 for years ended April 30, 2013 and 2012, respectively. The Association also billed for management services in the amount of \$1,200 for the years ended April 30, 2013 and 2012, respectively.

**AHA WATER COOPERATIVE, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 7. Related Parties (continued)

The Cooperative billed Alpine Haven Property Owner's Association, Inc. for water services in the amount of \$1,104 for the year ended April 30, 2013, and \$1,023 for year ended April 30, 2012.

Note 8. Future Major Repairs and Replacements

Article III Section 8 of the by-laws of the Cooperative requires the Board of Directors to fund a capital replacement and reserve account. As of April 30, 2013, the Board of Directors has not established this account.

Note 9. Commitments and Contingencies

Risk Management

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to workers; and natural disasters. The Cooperative maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Cooperative.

Note 10. Subsequent Events

Management has evaluated subsequent events through May 29, 2013, the date that the financial statements were available to be issued.