

REYNOLDS & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Gregory C. Brown, CPA
William H. Tackett, CPA

Laura D. Malone, CPA

Thomas B. Reynolds
(1927 - 1999)

839 Gallia Street
P.O. Box 1364
Portsmouth, Ohio 45662
Telephone (740) 353-1040
Fax (740) 353-3668
reyco@reynolds-cpa.com

ACCOUNTANTS' COMPILATION REPORT

To the Management
South Shore Water Works Co.
South Shore, KY

We have compiled the accompanying balance sheet of South Shore Water Works Co. (a corporation), as of December 31, 2011, and the related statement of income for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During our compilation, we did become aware of a departure from accounting principles generally accepted in the United States of America that is described in the following paragraph.

The statements of cash flows and retained earnings for the year ended December 31, 2011, has not been presented. Accounting principles generally accepted in the United States of America require that such a statement be presented when financial statements purport to present financial position and results of operations.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.



Reynolds & Company

March 26, 2012

South Shore Water Works Co.

BALANCE SHEET
DECEMBER 31, 2011

ASSETS

UTILITY PLANT

Utility Plant in Service	\$	2,472,425.74
Less: accumulated depreciation and amortization		<u>(1,488,920.50)</u>

Net Utility Plant 983,505.24

CURRENT ASSETS

Cash on Hand	200.00
Cash in Bank-General	67,408.81
Cash in Bank-Water Deposits	6,060.00
Certificate of Deposit	50,000.00
Accounts Receivable	64,503.30
Prepaid Taxes	<u>10,140.00</u>

Total Current Assets 198,312.11

TOTAL ASSETS \$ 1,181,817.35

South Shore Water Works Co.

BALANCE SHEET
DECEMBER 31, 2011

LIABILITIES AND STOCKHOLDERS' EQUITY

EQUITY

Common Stock	\$	8,903.00
Paid in Capital		11,219.95
Retained Earnings		<u>735,357.24</u>
Total Equity		755,480.19

CURRENT LIABILITIES

Accounts Payable		27,057.34
Current Portion of Debt		12,841.31
Customer Deposits		6,060.00
State Income Taxes		2,322.00
Accrued Interest		15.15
Sales Tax Payable		305.69
Other Taxes Payable		<u>1,564.37</u>
Total Current Liabilities		50,165.86

LONG TERM LIABILITES .

Deferred Taxes		36,127.00
Note Payable-Joe Hannah		60,000.00
Mortgage Payable		<u>64,647.33</u>
Total Long Term Liabilites		160,774.33
Total Liabilities		<u>210,940.19</u>

CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in Aid of Construction		512,103.58
Less: accumulated amortization		<u>(296,706.61)</u>
Net Contributions In Aid Of Construction		<u>215,396.97</u>

**TOTAL LIABILITIES AND
STOCKHOLDERS' EQUITY**

\$ 1,181,817.35

See accountants' compilation report

South Shore Water Works Co.

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

OPERATING REVENUE

Water Sales	\$	665,512.13
Hydrants		3,300.31
Forfeited Discounts		12,961.23
Other Revenue		25,263.08
Total Operating Revenue		<u>707,036.75</u>

OPERATING EXPENSES

Depreciation		93,642.87
Wages		155,284.58
Salary		97,309.44
Health Insurance		90,695.00
Pension		3,662.28
Purchased Water		16,978.29
Electric-Plant		55,283.43
Chemicals		9,543.40
M & S-Plant		33,218.06
M & S-Distribution		10,583.01
M & S-Office		19,547.22
Professional Services		3,850.00
Legal		11,979.45
Rent		11,050.00
Automobile		15,284.30
Insurance-Automobile		3,522.41
Insurance-Propety & Liability		7,086.15
Workers' Compensation		4,174.80
Insurance-Life		2,898.00
Property Taxes		17,574.25
Payroll Taxes		19,192.42
Other Taxes		1,049.25
Total Operating Expenses		<u>683,408.61</u>
Operating Income (Loss)		23,628.14

See accountants' compilation report

South Shore Water Works Co.

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

OTHER INCOME (EXPENSE)	
Interest Income	965.33
Interest Expense	<u>(4,980.32)</u>
Net Other Income (Expense)	<u>(4,014.99)</u>
NET INCOME BEFORE INCOME TAXES	19,613.15
Income Taxes	<u>6,413.00</u>
NET INCOME	<u><u>\$ 13,200.15</u></u>

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