

**CRYSTAL LAKES
WATER AND SEWER ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2011 AND 2010**

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Crystal Lakes Water and Sewer Association
Red Feather Lakes, Colorado

We have audited the accompanying balance sheets of Crystal Lakes Water and Sewer Association as of May 31, 2011 and 2010, and the related statements of revenues and expenses, changes in members' equity and cash flows 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 audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board. 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 Organization'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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crystal Lakes Water and Sewer Association as of May 31, 2011 and 2010, 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.

The supplemental information on future repairs and replacements on page 12 is not a required part of the basic financial statements of Crystal Lakes Water and Sewer Association but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of activity in members' equity on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script, consisting of the letters 'RLR' followed by a small 'LLP' in a different font.

Fort Collins, Colorado
October 11, 2011

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

BALANCE SHEETS
As of May 31, 2011 and 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 405,032	\$ 202,192
Certificate of deposit	-	144,531
Due from affiliated entity	5,416	2,039
Prepaid expenses	2,143	2,229
Inventory	753	379
Total current assets	413,344	351,370
Non-Current Assets		
Cash and cash equivalents, designated	319,376	-
Certificate of deposit, designated	133,639	717,113
Cash, restricted	25,000	25,000
Certificate of deposit, restricted	88,687	88,356
Dues and accounts receivable, net of allowance for doubtful accounts of \$15,000 and \$10,939 for May 31, 2011 and 2010.	32,961	19,933
Lots held for sale	3,556	3,556
Property and equipment, net	1,025,994	673,800
Total non-current assets	1,629,213	1,527,758
Total assets	\$ 2,042,557	\$ 1,879,128
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 13,178	\$ 10,163
Accrued expenses	13,477	11,979
Prepaid assessments	230	1,190
Total current liabilities	26,885	23,332
MEMBERS' EQUITY		
Undesignated		
Operations	422,976	351,527
Invested in property and equipment	1,025,994	673,800
Designated for future repairs and replacements	453,015	717,113
Temporarily restricted	113,687	113,356
Total members' equity	2,015,672	1,855,796
Total liabilities and members' equity	\$ 2,042,557	\$ 1,879,128

See accompanying notes to financial statements.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

STATEMENTS OF REVENUES AND EXPENSES

Years Ended May 31, 2011 and 2010

	2011	2010
REVENUES		
Membership dues and assessments	\$ 402,240	\$ 394,642
Ownership transfer fees	3,350	2,650
Finance charge income	15,849	6,984
Fines	4,400	825
Sewer hauls	32,435	25,385
Water hauls	14,065	11,705
Water fills and usage	4,148	3,924
Boat storage fees	9,260	9,180
Backhoe rental	6,618	-
Gasoline sales	-	294
Water meter sales	3,145	3,840
Interest income	3,257	2,785
Other	3,237	1,883
Total revenues	502,004	464,097
EXPENSES		
Salaries	130,656	126,646
Payroll taxes	11,803	10,763
Depreciation	22,081	28,158
Office expense	34,180	30,385
Employee benefits	30,921	30,716
Insurance	14,311	17,403
System operations	14,523	19,484
Professional services	12,743	8,146
Vehicle maintenance	8,577	6,210
System maintenance	50,067	11,440
Utilities	7,315	6,958
Repairs and maintenance	5,534	4,239
Bad debts	6,947	-
Miscellaneous	14	125
Income tax expense (credit)	(7,544)	4,000
Total expenses	342,128	304,673
Excess of revenue over expenses	\$ 159,876	\$ 159,424

See accompanying notes to financial statements.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

STATEMENTS OF CHANGES IN MEMBER'S EQUITY

Years Ended May 31, 2011 and 2010

	Total	Undesignated	Designated for Repairs and Replacement	Temporarily Restricted
MEMBERS' EQUITY - May 31, 2009	\$ 1,696,372	\$ 822,486	\$ 760,725	\$ 113,161
Excess revenues over expenses	159,424	159,424		-
Allocated to future repairs and replacements:				
Collection for special assessments	-	(115,648)	115,648	-
Interest income	-	(2,562)	2,367	195
Expenditures for major repairs and replacements	-	161,627	(161,627)	-
Transfers	-	-	-	-
MEMBERS' EQUITY - May 31, 2010	1,855,796	1,025,327	717,113	113,356
Excess revenues over expenses	159,876	159,876	-	-
Allocated to future repairs and replacements:				
Collection for special assessments	-	(116,270)	116,270	-
Interest income	-	(3,539)	3,208	331
Expenditures for major repairs and replacements	-	383,576	(383,576)	-
Transfers	-	-	-	-
MEMBERS' EQUITY - May 31, 2011	\$ 2,015,672	\$ 1,448,970	\$ 453,015	\$ 113,687

See accompanying notes to financial statements.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

STATEMENTS OF CASH FLOWS

Years Ended May 31, 2011 and 2010

	2011	2010
<hr/>		
Cash Flows From Operating Activities		
Excess of revenues over expenses	\$ 159,876	\$ 159,424
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Depreciation expense	22,081	28,158
Provision for bad debts	6,947	-
(Increase) decrease in operation assets		
Dues and accounts receivable	(19,975)	(1,212)
Interest receivable	-	1,602
Prepaid expenses	86	(273)
Inventory	(374)	1,831
Due from affiliated entity	(3,377)	3,674
(Increase) decrease in operation liabilities		
Accounts payable	3,015	(26,572)
Accrued expenses	1,498	517
Prepaid assessments	(960)	(99)
	<hr/>	<hr/>
Net cash provided by operating activities	168,817	167,050
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Cash Flows From Investing Activities		
Purchase of certificate of deposit	-	(250,000)
Proceeds from maturities of certificates of deposits	727,674	-
Acquisitions of property and equipment	(374,275)	(145,789)
	<hr/>	<hr/>
Net cash provided (used) by investing activities	353,399	(395,789)
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Net Increase (Decrease) in Cash and Cash Equivalents	522,216	(228,739)
Cash and Cash Equivalents, Beginning of Year	202,192	430,931
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Cash and Cash Equivalents, End of Year	\$ 724,408	\$ 202,192
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Supplemental Information		
Cash payments for income taxes	\$ -	\$ 4,000

See accompanying notes to financial statements.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

Note 1. Nature of Organization

Crystal Lakes Water and Sewer Association (the Association) is organized as a not for profit corporation in the State of Colorado for the purpose of promoting the general well-being of property owners in the Crystal Lakes Development and within the boundaries established in the plan for augmentation in Colorado Water Court decrees 7631-74 and 8540-77, located in Red Feather Lakes, Colorado. The Association's membership consists of property owners with diverse backgrounds from various regions across the United States. The significant activities of the Association include the acquisition of water rights and the operation and maintenance of water and sewer facilities for approximately 1,675 lots in the development. Financing for the Association's activities is derived through membership assessments and fees from member services.

Note 2. Summary of Significant Accounting Policies

Accounting Standards

In June 2009, the Financial Accounting Standards Board issued FASB Statement No. 168, *The FASB Accounting Standards Codification* and the Hierarchy of Generally Accepted Accounting Principles. This Statement establishes the *FASB Accounting Standards Codification* (ASC) as the source of authoritative U.S. generally accepted accounting principles recognized by the FASB to be applied by all nongovernmental entities. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Association adopted ASC for the annual period ended May 31, 2010.

Common Property

The Association owns various common properties, including a water and sewer maintenance building, water and wastewater central plants, the lakes, and sites for future utility construction. The properties originally contributed by the developer are not reported on the accompanying financial statements. The assets contributed by the developer are primarily lakes and future utility sites.

Any properties subsequently acquired are carried at the Association's cost, net of depreciation. The Association subsequently purchased, and is carrying on the books, one-half of Catawba Lake, the upper Lone Pine Lake site, and the water and sewer maintenance building.

The Association is responsible for the repair and maintenance of dams, maintenance building and central water and wastewater facilities. The maintenance of these properties is funded by member assessments.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions and replacements. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Allowance for Doubtful Dues and Accounts Receivable and Revenue Recognition

The Association has adopted the reserve method of accounting for uncollectible dues and accounts receivable. When membership dues become delinquent for a substantial period of time, it has been the Association's policy to file liens on the property owner's real estate located in the development. Effective January 1, 1994, Colorado statutes have made homeowner's association dues an automatic lien against the property with no formal filing required by the Association.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

Note 2. Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Dues and Accounts Receivable and Revenue Recognition (continued)

Even so, collection efforts may be hindered by bankruptcy laws, security interests subordinated to those of other creditors, and the relative expense of collection procedures. As billings for services are done annually, any amounts due at year-end have been outstanding for one year. Due to the time the receivables have been outstanding and uncertain nature of when the balance will be collected, management has elected to exclude accounts receivable from current assets. Allowances for doubtful accounts are based on a review of the status of existing accounts coupled with past collection experience. Billings for annual assessments cover the period from June 1 through May 31. Such billings are recorded as dues and accounts receivable and revenue on June 1 of each operating year. Amounts collected prior to the assessment date are recorded as a liability in the account titled "prepaid assessments" on the balance sheet of the Association.

Property and Equipment

Depreciation is computed on a straight-line basis over the estimated useful lives of the individual assets. In general, class lives are presented below:

<u>Class</u>	<u>Life in Years</u>
Land improvements	20
Buildings and improvements	20
Machinery and equipment	5-15
Autos and trucks	5-10
Office furniture and equipment	3-5

Cash Equivalents

For purpose of the statement of cash flows, the Association considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

The Association maintains its cash in bank accounts which on occasion may exceed federally insured limits of \$250,000 for interest-bearing accounts, as guaranteed by the Federal Deposit Insurance Corporation. The Association has not experienced any losses in such accounts. Beginning December 31, 2010, through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account, at all FDIC-insured institutions. This unlimited insurance coverage is separate from, and in addition to, the insurance coverage provided to the Association's interest-bearing deposit accounts.

Lots held for sale

On occasion, the Association will acquire lots from sheriff's sales and hold them until they can be resold. Lots are recorded at the cost of unpaid assessments, legal fees and property taxes at date of acquisition. Since the sum of these costs are generally less than the fair market value, the Association has not incurred any material impairment losses related to lots held for sale.

Estimates

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

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

Note 2. Summary of Significant Accounting Policies (continued)

Advertising

Advertising is expensed as incurred. The Association did not have advertising expenses in either of the years ended May 31, 2011 and 2010.

Income Taxes

The Association may elect to be taxed as a homeowners association, or as a regular corporation, under the provisions of the Internal Revenue Code. Under current regulations, the Association is taxed as a regular corporation unless this annual election is made. As a regular corporation, membership income is exempt from taxation if certain elections are made and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal and state corporate rates.

Differences in income reported for financial statement purposes and income for income tax purposes may result from the following:

The Association uses the straight-line method of depreciation for financial statements while depreciation is calculated using a combination of straight-line and accelerated methods for income tax reporting. The depreciable lives of assets may be different for book and tax purposes.

The Association uses the reserve method of accounting for bad debts for financial statements, while the direct write-off method is utilized for income tax purposes.

Accrued compensated absences are not deductible for income tax purposes until paid.

In any year that the election is made to be taxed as a Homeowners Association, membership dues and general operating expenses are not taxable or deductible. Only income for special services received from members and nonmembers, and the expenses related to providing these services, are considered in computing taxable income.

On June 1, 2009, The Association adopted the recognition requirements for uncertain income tax positions as required by ASC 740-10. The standard prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in the financial statements uncertain tax positions the organization has taken or expects to take on a tax return. The Association's income tax filings are subject to audit by various taxing authorities. The Association's open audit tax return periods are 2007 through 2009. In evaluating the Association's tax provisions and accruals, interpretations and tax planning strategies are considered. The Association believes their estimates are appropriate based on current facts and circumstances and have not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at May 31, 2011.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 11, 2011, the date that the financial statements were available to be issued.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

Note 3. Transactions with Crystal lakes Road and Recreation Association

Crystal Lakes Water and Sewer Association and Crystal Lakes Road and Recreation Association are organizations that consist primarily, but not exclusively, for the benefit of the Crystal Lake property owners. The Associations share certain administrative expenses.

	<u>2011</u>	<u>2010</u>
Balance due from affiliate at May 31	<u>\$ 5,416</u>	<u>\$ 2,039</u>

Note 4. Income Taxes

The Association may elect in any year to be taxed as a Homeowners' Association. This election was made for the fiscal years ending in 2011 and 2010. The Association makes the homeowners election only in these years in which it would create tax savings. The Association incurred income tax expense of \$4,000 for the year ending May 31, 2010, and no income tax expense for the year ended May 31, 2011.

The Association has temporary timing differences between its books and tax methods of accounting. These items may create deferred tax liabilities or deferred tax assets. There may be no tax benefit received from the reversal of a timing difference, if the timing difference is eliminated in whole or in part in any year that the Association elects to be taxed as a Homeowners Association or is operating at a loss. It is the intent of the Association to make the Homeowners election in those years where it would minimize taxes.

Furthermore, the Association has historically operated at a level where it pays little or no income tax. Considering the relevant factors, it is highly unlikely that the Association will derive any significant future loss or benefit related to deferred taxes. Accordingly, any deferred tax assets are fully offset with a value allowance.

Note 5. Employee Benefit Plans

The Crystal Lakes Water and Sewer Association jointly employs certain personnel with the Crystal Lakes Road and Recreation Association. The following is a summary of employee benefit plans currently in effect:

Compensated Absences

Vacation leave - The Association presently has a policy that allows full-time employees ten working days annual vacation after one full year of service. After five years of service, employees earn fifteen working vacation days annually. After ten years of service, employees earn twenty working vacation days annually. Vacation pay is a vested benefit.

Sick leave - Full-time employees may accumulate one day of compensated sick leave for each month of service to the Association. Employees may accumulate a maximum of thirty days of unused sick leave. Sick leave is not a vested benefit.

Paid holidays - Full-time employees, other than exempt employees, who are required to work on holidays may elect to take one day off or to be paid for the holiday at one and one-half times their hourly rate, in addition to being paid for the holiday worked.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

Note 5. Employee Benefit Plans (continued)

Medical Benefits

The Association provides health, life and dental coverage for all full-time employees; dependent coverage for full-time employees is available at the employee's expense. The cost of providing benefits is shared equally with the Crystal Lakes Road and Recreation Association.

Pension Plan

The Association has a defined contribution pension plan (the plan) covering all full-time employees who have completed three full years of service to the Association. The Association makes a contribution to the plan each year equal to 6% of all eligible employees' annual compensation. Employer contributions are fully vested for employees that earn more than \$500 per year and have reached three years of service. The Association contributed \$4,782 and \$4,135 to the plan for the years ending May 31, 2011 and 2010, respectively.

Note 6. Restricted Member's Equity

Subdivision Improvement Agreement (S.I.A.)

On March 7, 1982, Crystal Lakes Development Company (the Developer) entered into an agreement with Larimer County. Under this agreement, the Developer pledged certain lots in the Crystal Lakes subdivision filings to secure obligations for subdivision improvements. The Developer defaulted on this agreement.

Crystal Lakes Road and Recreation Association and Crystal Lakes Water and Sewer Association entered into an agreement dated December 18, 1985, with Larimer County and the Developer. This agreement transferred title to most of the properties, pledged under the earlier agreement, to the County, and left the Associations responsible for the performance of the improvements after the sale of the properties, to the extent funds are available from the sales.

In September 1992, the Associations negotiated a settlement agreement with Larimer County that modified the terms of the 1985 agreement. Under the terms of the agreement, the remaining proceeds to be used for the construction or improvement of certain roads, and water and sewer facilities required under the original agreement. The balance of funds to be expended under this agreement are \$88,687 and \$88,356 as of May 31, 2011 and 2010, respectively.

Mine Permit

The Association maintains a certificate of deposit in the amount of \$25,000 as a bond for a mine permit. The purpose of the bond is to ensure reclamation of the land by the Association. Since the funds are restricted by the state, they have been separately presented as a non-current asset.

The Association has an obligation to reclaim certain property currently used as a gravel pit. The Association has not recognized an obligation for the reclamation as the Association cannot reasonably estimate the fair value of reclamation due to the uncertain remaining useful life of the property.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

May 31, 2011 and 2010

Note 7. Property and Equipment

Property and equipment are summarized as follows:

	<u>2011</u>	<u>2010</u>
Land and improvements	\$ 326,018	\$ 326,018
Buildings and improvements	134,729	134,729
Machinery and equipment	89,362	89,362
Autos and trucks	111,311	111,311
Office furniture and equipment	26,294	26,294
Water rights	15,054	15,054
Construction in progress	793,221	418,946
Subtotal	<u>1,495,989</u>	<u>1,121,714</u>
Accumulated depreciation and amortization	<u>(469,995)</u>	<u>(447,914)</u>
Property and Equipment, net	<u>\$ 1,025,994</u>	<u>\$ 673,800</u>

Note 8. Designated Member's Equity and Future Major Repairs and Replacements

The Association's governing documents do not require the accumulation of funds to finance future major repairs and replacements. The Board of Directors, however, has established a fund (the replacement fund) to accumulate funds for the estimated costs of future major repairs and replacements, required projects and for the expansion of existing common property. There was \$28,969 and \$28,371 in the replacement fund as of May 31, 2011 and 2010, respectively.

The Association is obligated by the augmentation plan to construct a water storage reservoir. The feasibility study completed in April 1993, estimated the Association's cost for the reservoir at \$2.0 million. Management expects to fund this project primarily through a loan from the Colorado Water Conservation Board for a 30 year term with a projected interest rate of 5% or less. Repayment of the loan will be funded by future membership assessments and fees. Beginning in the fiscal year ended May 31, 2002, the Association approved a capital projects special assessment for the construction of Upper Lone Pine Lake. The assessment is \$70 per year, per lot and resulted in assessments of \$116,270 and \$115,648 during the years ended May 31, 2011 and 2010, respectively. Including transfers from the operating bank account, the balance in the special assessment fund was \$424,046 and \$688,742 as of May 31, 2011 and 2010, respectively. As of May 31, 2011 and 2010, the Association has capitalized construction in progress costs related to this project in the amount of \$793,221 and \$418,946, respectively, as disclosed in Note 7. As a result of feasibility studies performed, the Association has determined a need to pursue alternative options to meet the requirements of the augmentation plan. An impairment loss has not been incurred due with this change as the alternative option selected will be as a result of work already performed.

The Association's management conducts an ongoing study to estimate the remaining useful lives and the replacement costs of the components of common property. The Association will fund for such major repairs and replacements over the estimated useful lives of the components based on the study's estimate of future replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs.

SUPPLEMENTARY INFORMATION

CRYSTAL LAKES WATER AND SEWER ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE REPAIRS
AND REPLACEMENTS (UNAUDITED)
Years Ended May 31, 2011 and 2010

Association Reserves, Inc. conducted a full reserve study in October 2010 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property during the period June 1, 2010 through May 31, 2011. Estimated current replacement costs do not take into account the effects of inflation between the time of the study and the date the components will require repair or replacement. Not included in this schedule are the costs of the Upper Lone Pine/Lower Lone Pine Lake project explained in Note 8.

The following information is based on the study and presents significant information about the components of common property:

FY 2010-2011	Estimated Remaining Useful Life (Years)	Estimated Current Repair or Replacement Cost
Boat house - replace	0	\$ 40,000
Water lines - replace (part)	0	5,000
Wood surfaces - repair/reseal	0	5,000
Ponds - repair/dredge 50%	2	7,000
Motors and pumps - replace (part)	3	5,000
Truck - replace 50%	3	15,250
Vehicle - replace 50%	3	17,500
Miscellaneous contingency	4	25,000
Septic system - refurbish	5	87,500
Water/sewer trucks - replace	12	160,000
Backhoe - replace	15	60,000
Boat racks - replace	20	35,000
Total		<u>\$ 462,250</u>

See independent auditor's report and accompanying notes to financial statements.

CRYSTAL LAKES WATER AND SEWER ASSOCIATION
SUPPLEMENTARY SCHEDULE OF ACTIVITY IN MEMBERS' EQUITY
Year Ended as of May 31, 2011

	Designated			Restricted			Undesignated		Total Equity
	Upper Lone Pine Lake	Major Reserve	Total	Mine Reclamation	Subdivision Improvement Agreement	Total	Invested in Property and Equipment	Operations	
Beginning balance	\$ 688,742	\$ 28,371	\$ 717,113	\$ 25,000	\$ 88,356	\$ 113,356	\$ 673,800	\$ 351,527	\$ 1,855,796
Net Income	-	-	-	-	-	-	-	159,876	159,876
Revenues	116,270	-	116,270	-	-	-	-	(116,270)	-
Interest Income	2,610	598	3,208	-	331	331	-	(3,539)	-
Transfers	-	-	-	-	-	-	-	-	-
Operating Expenses	(9,301)	-	(9,301)	-	-	-	-	9,301	-
Capital Expenditures	(374,275)	-	(374,275)	-	-	-	374,275	-	-
Depreciation	-	-	-	-	-	-	(22,081)	22,081	-
Ending balance	\$ 424,046	\$ 28,969	\$ 453,015	\$ 25,000	\$ 88,687	\$ 113,687	\$ 1,025,994	\$ 422,976	\$ 2,015,672

See independent auditor's report and accompanying notes to financial statements.