BENCHLAND WATER DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2005

BENCHLAND WATER DISTRICT

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Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Trustees
Benchland Water District
Kaysville, Utah

We have audited the accompanying financial statements of the Benchland Water District as of and for the year ended December 31, 2005, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 the Benchland Water District at December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

257 37th Street, Ogden, Utah 84405 TEL: (801) 399-5837 (801) 621-0721 FAX: (801) 399-5830

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 5 are not a required part of the financial statements, but are supplementary information required by the 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Davis, Chase + Associates

June 27, 2006

BENCHLAND WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDING DECEMBER 31, 2005

INTRODUCTION

The following is a discussion and analysis of Benchland Water District's financial performance and activities for the year ending December 31, 2005.

HIGHLIGHTS

The District changed its name from Farmington Area Pressurized Irrigation District to Benchland Water District on December 8, 2005.

The District acquired three new vehicles during the year and continued to reinvest in the water system infrastructure by making necessary improvements and by providing ongoing maintenance.

The District service charge rate has remained constant for several years with increased growth covering the cost of inflation. Future rates will continue to be based on the needs of the District.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the District's Basic Financial Statements. The District's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States, promulgated by the Government Accounting Standards Board. The District reports as a single enterprise fund. Revenues are recognized when earned and expenses are recognized in the period in which they are incurred. See the notes to the financial statements for a summary of the District's significant accounting policies.

The District's financial statements are comprised of three basic statements. The Statement of Net Assets shows the overall net assets of the District. Increases and decreases in net assets are one indicator of the District's overall financial condition. The Statement of Revenues, Expenses, and Changes in Fund Net Assets identify functions of the District that are intended to recover all or most of their costs primarily through user fees and charges (business-type activities). The Statement of Cash Flows reports cash flows in four categories or activities - operating, capital and related financing, non-capital financing and investing.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The largest component of the District's net assets, 89.02%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 5.20% of total net assets and are subject to external restrictions on how they may be used. The remaining 5.78% of net assets is unrestricted and may be used at the District's discretion to meet its ongoing obligations to citizens and creditors.

Business-Type Activities

The business-type activities are summarized as follows:

	2005	2004
Assets		
Current and other assets	$ 418,489	$ 254,075
Restricted assets	367,466	411,986
Capital assets - net of depreciation	6,286,995	6,454,154
Total assets	7,072,950	7,120,215
Liabilities		
Current liabilities	10,714	14,632
Non-current liabilities	-	-
Total liabilities	10,714	14,632
Net Assets		
Invested in capital assets net of related debt	6,286,995	6,454,154
Restricted for future improvements	367,466	411,986
Unrestricted	407,775	239,443
Total net assets	$ 7,062,236	$ 7,105,583

Changes in Net Assets

The Net Assets in the Enterprise Fund decreased by $43,347.

	2005	2004
Revenues		
Operating revenue	$ 770,530	$ 757,336
Operating expenses	(840,334)	(755,124)
Operating income (loss)	(69,804)	2,212
Non-operating revenues	20,919	13,705
Non-operating expenses	(562)	(1,069)
Net income before capital contributions	(49,447)	14,848
Capital contributions	6,100	-
Change in net assets	(43,347)	14,848
Net assets - beginning	7,105,583	7,090,735
Net assets - ending	$ 7,062,236	$ 7,105,583

Capital Assets

Benchland Water District added $88,411 in new capital assets during the fiscal year.

Long-Term Debt

The District currently has no long-term debt obligations.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Benchland Water District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the District's finances should be addressed to Benchland Water District, 485 East Shepherd Lane, Kaysville, Utah 84037.

BENCHLAND WATER DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds
	Water
ASSETS	
Current assets:	
Cash and cash equivalents	$ 261,293
Accounts receivable	3,766
Property tax receivable	65,824
Prepaid expenses and deposits	87,606
Total current assets	418,489
Noncurrent assets:	
Cash and cash equivalents - restricted	175,062
Investments - restricted	192,404
Fixed assets	9,742,658
Less: Accumulated depreciation	(3,455,663)
Total noncurrent assets	6,654,461
Total assets	7,072,950
LIABILITIES	
Current liabilities:	
Accounts payable	10,714
Other payables	-
Total current liabilities	10,714
NET ASSETS	
Invested in capital assets, net of related debt	6,286,995
Restricted-future improvements	367,466
Unrestricted	407,775
Total net assets	$ 7,062,236

The accompanying notes are an integral part of these statements.

BENCHLAND WATER DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds
	Water
OPERATING REVENUE	
Charges for services	$ 380,354
Contracting charges	44,100
General property taxes	315,527
Fees-in-lieu of taxes	11,149
Miscellaneous	19,400
Total operating revenue	770,530
OPERATING EXPENSES	
Salaries and wages	265,920
Depreciation	217,908
Employee benefits	102,294
Water purchase	66,475
Repairs and maintenance	55,721
Insurance and surety bonds	27,373
Professional services	44,001
Administrative	11,870
Equipment expense	19,069
Communications	7,149
Office supplies and expense	2,257
Utilities	4,670
Election expense	1,710
Training	5,477
Fees - Board of Trustees	4,145
Utilities - S.H.	4,295
Total operating expenses	840,334
Operating income (loss)	(69,804)
NONOPERATING REVENUE (EXPENSES)	
Interest income	20,919
Gain (loss) on sale of assets	(562)
Total nonoperating revenue (expenses)	20,357
Net income (loss) before contributions	(49,447)
Capital contributions	6,100
Change in net assets	(43,347)
Net assets - beginning	7,105,583
Net assets - ending	$ 7,062,236

The accompanying notes are an integral part of these statements.

BENCHLAND WATER DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds
	Water
Cash Flows From Operating Activities	
Receipts from intergovernmental revenue - property taxes	$ 310,865
Receipts from customers	442,267
Payments to suppliers	(371,387)
Payments to employees	(265,920)
Net cash provided (used) by operating activities	115,825
Cash Flows From Noncapital Financing Activities	
Net cash provided (used) by noncapital financing activities	-
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of assets	37,100
Purchases of capital assets	(82,311)
Net cash provided (used) by capital and related financing activities	(45,211)
Cash Flows From Investing Activities	
Interest and dividends received	20,919
Purchase of investments	(7,723)
Net cash provided (used) by investing activities	13,196
Net increase (decrease) in cash and cash equivalents	83,810
Cash and cash equivalents - beginning	352,545
Cash and cash equivalents - ending	$ 436,355

The accompanying notes are an integral part of these statements.

BENCHLAND WATER DISTRICT

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds
	Water
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	$ (69,804)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	217,908
(Increase) decrease in prepaid expense	(10,963)
(Increase) decrease in accounts receivable	(17,398)
Increase (decrease) in accounts payable	(3,918)
Net cash provided (used) by operating activities	$ 115,825

Noncash Capital Financing Activities:

Capital assets of $6,100 were acquired through contributions from developers.

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Benchland Water District conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The District has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Benchland Water Improvement District is a special district organized for the purpose of providing secondary water to residents. The District operates under a Board of Trustees form of government.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the primary government.

The District has no component units.

B. Fund Financial Statements

The financial transactions of the District are recorded in an individual fund. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The District reports the following major proprietary fund:

Water Fund - The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The District has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the District does not apply FASB pronouncements issued after November 30, 1989.

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the District's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances are combined to form a pool of cash which is managed by the District Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The District Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The District considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the District, therefore none are reflected in these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Restricted Assets

Certain resources set aside as reserves in accordance with District resolutions and State statutes are classified as restricted assets on the Statement of Net Assets because their use is limited.

Capital Assets

All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than $5,000.

Infrastructure capital assets which are newly constructed or contributed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30-50 years	Equipment	5-10 years
Improvements	10-50 years	Infrastructure	25-40 years

Long-term Obligations

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities. As of December 31, 2005, the District had no long-term debt obligation.

Net Assets/Fund Balances

The difference between assets and liabilities is *net assets* on the fund financial statements. The District's net assets are classified as follows:

* *Invested in capital assets, net of related debt* - This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
* *Restricted for future improvements* - This component of net assets consists of that portion of the net assets that is restricted for capital improvement expenditures.
* *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

E. Contributions

Certain proprietary fund types receive contributions for aid in construction from various sources. With the adoption of GASB No. 33, these contributions that were formerly credited directly to contributed capital accounts are now reflected as non-operating revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Compensated Absences

District policy provides for vested or accumulated vacation leave. Compensated absences are not recorded in the financial statements because they are not material in amount.

G. Use of Estimates

The preparation of the accompanying 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.

H. Receivables

Receivables include amounts due from customers primarily for services. These receivables are due within one month of billing. No allowance for doubtful accounts has been recorded since the District considers all accounts to be collectible. When an amount is deemed to be uncollectible, the receivable will be written off at that time.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The District's deposits are carried at cost.

At the year end, the carrying amount of the District's deposits was $252,491and the bank balance was $415,646. Of the bank balance, $285,151 was fully covered by federal depository insurance.

B. Investments

At year-end investments consisted of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. This investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

	Carrying Amount	Market Value
Investments not subject to categorization:		
Utah Public Treasurer's Investment Fund	$ 219,818	$ 219,722
Utah Public Treasurer's Investment Fund	156,451	156,383
Total investments	$ 376,269	$ 376,105

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary

	Carrying Amount
Deposits	$ 60,086
Investment in time certificates	192,404
Investment in Utah Public Treasurer's Investment Fund	376,269
Total deposits and investments	$ 628,759
Equity in pooled cash and investments	$ 261,293
Restricted cash - future improvements	367,466
Total deposits and investments	$ 628,759

Deposit and Investment Risk Disclosure. Deposits and investments for Benchland Water District are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2005, were $415,646, of which $285,151 was insured under federal depository insurance.

Credit risk. Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary (Continued)

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended December 31, 2005, the District had investments of $376,269 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest rate risk: Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Act.

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2005, was as follows:

BUSINESS-TYPE ACTIVITIES	Balance December 31, 2004	Additions	(Deletions)	Balance December 31, 2005
Nondepreciated Assets				
Land	$ 240,666	$ -	$ -	$ 240,666
Water stock	173,295		-	173,295
Total nondepreciated assets	413,961	-	-	413,961
Depreciated Assets				
Reservoirs	550,190		-	550,190
Distribution system	5,345,604		-	5,345,604
Subdivision lines	2,575,347	6,100	-	2,581,447
Building	440,564	-	-	440,564
Small equipment	157,507	3,000	-	160,507
Office equipment	55,467	932	-	56,399
Vehicles	162,763	78,379	(47,156)	193,986
Total depreciated assets	9,287,442	88,411	(47,156)	9,328,697
Less accumulated depreciation				
Reservoirs	(285,494)	(11,004)	-	(296,498)
Distribution system	(2,205,479)	(106,794)	-	(2,312,273)
Subdivision lines	(466,806)	(51,568)	-	(518,374)
Building	(98,806)	(17,623)	-	(116,429)
Small equipment	(82,353)	(12,613)	-	(94,966)
Office equipment	(42,967)	(4,089)	-	(47,056)
Vehicles	(65,344)	(14,217)	9,494	(70,067)
Total accumulated depreciation	(3,247,249)	(217,908)	9,494	(3,455,663)
Net assets depreciated	6,040,193	(129,497)	(37,662)	5,873,034
Business type activities - net	$ 6,454,154	$ (129,497)	$ (37,662)	$ 6,286,995

Depreciation Expense

December 31, 2005	$ 217,908

NOTE 4 - INVESTMENT IN WATER STOCK

The District's investment in water stock consists of purchased and pledged stock of the following irrigation districts: Davis Creek, Haight Bench, North Cottonwood-Lot, North Cottonwood-Field, Shepherd Creek, and Steed Creek. It is the intent of the District to continue to purchase water stock in these districts as it becomes available.

NOTE 5 - PENSION PLANS AND RETIREMENT BENEFITS

Local Governmental - Cost Sharing

Plan Description. The Benchland Water District contributes to the Local Governmental Noncontributory Retirement system, which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System the Benchland Water District is required to contribute, for 2005, 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Benchland Water District contributions to the Local Governmental Noncontributory Retirement System for 2005, 2004, and 2003, were $20,877, $21,979, and $20,563 respectively. The contributions were equal to the required contributions for each year.

The Benchland Water District contributions for 401(k) system for 2005, 2004, and 2003, were as follows:

	2005	2004	2003
Employee contribution	$ 4,820	$ 5,240	$ 5,537
Employer for employee contributions	$ 3,765	$ 4,257	$ 4,488

NOTE 6 - RISK MANAGEMENT

Benchland Water District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of December 31, 2005, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 7 - LEGAL COMPLIANCE BUDGETS

The budget for the fiscal year ending December 31, 2005, was approved and adopted by resolution or ordinance dated December 8, 2004. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 8, 2004. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not used by the District.

NOTE 8 - POST-EMPLOYMENT BENEFITS

The District does not provide any post-employment benefits.

NOTE 9 - PROPERTY TAX CALENDAR

Lien date	Jan.1
Taxing districts notify the county of date, time and place of public hearing	Mar. 1
County auditor sends valuation certified tax rate and levy worksheets to each taxing district	Jun. 8
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit it to the county auditor	Before Jun. 22
Taxing district adopts a final tax rate if there is no increase in the certified tax rate	Jun. 22
Due date for property taxes	Nov. 30
Taxing district adopts the final budget prior to beginning of the ensuing year	
Copy of the budget is submitted to the state auditor within 30 days of its adoption	

BENCHLAND WATER DISTRICT

AUDITOR'S REPORTS

DECEMBER 31, 2005

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Board of Trustees
Benchland Water District
Kaysville, Utah

We have audited the financial statements of the Benchland Water District, for the year ended December 31, 2005, and have issued our report thereon dated June 27, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax
- Special District Compliance Items
- Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of the Benchland Water District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and questioned costs. We considered these instances of noncompliance in forming an opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Benchland Water District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Davis, Chase & Associates

June 27, 2006

BENCHLAND WATER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-STATE LEGAL COMPLIANCE

DECEMBER 31, 2005

1. BUDGETARY COMPLIANCE

Officers and employees of the Disctrict shall not incur expenditures in excess of the total budgetary appropriation for any fund. This year the District exceeded its budget.

We recommend that the District monitor expenditures compared to budget on a regular basis and amend the budget using proper procedures when necessary.

Management Response

The District will monitor the actual expenditures compared to budgets so the District will not exceed budget appropriations.

BENCHLAND WATER DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS-
STATE LEGAL COMPLIANCE

DECEMBER 31, 2005

There were no findings and questioned costs for the year ended December 31, 2004.

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
Ann Singleton, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Benchland Water District
Kaysville, Utah

We have audited the financial statements of the Benchland Water District, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Benchland Water District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Benchland Water District in a separate letter dated June 27, 2006.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benchland Water District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of Benchland Water District in a separate letter dated June 27, 2006.

This report is intended solely for the information of the audit committee, legislative body, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Chase & Associates

June 27, 2006

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
Ann Singleton, CPA

To the Honorable Board of Trustees
Benchland Water District
Kaysville, Utah

We have recently completed our audit examination for the year ended December 31, 2005. During the course of our audit, we observed an item we feel requires your consideration as follows:

1. BUDGETARY COMPLIANCE

Officers and employees of the District shall not incur expenditures in excess of the total budgeted appropriation for any fund. This year the District exceeded its budget.

We recommend that the District monitor expenditures compared to budget on a regular basis and amend the budget using proper procedures when necessary.

Management Response

The District will monitor the actual expenditures compared to budgets so the District will not exceed budgeted appropriations.

We appreciate the cooperation and assistance we have received from the District personnel during the audit.

Davis, Chase + Associates

June 27, 2006

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