CHARLESTON WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2006

CHARLESTON WATER CONSERVANCY DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

Table of Contents

	Page
Accountant's Compilation Report	1
Management's Discussion and Analysis	2
Basic Financial Statements:	
Statement of Net Assets	5
Statement of Revenue, Expenses, and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	9

THE C.P.A. NETWORK, LLC
CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL ACCESS
LOCAL FINANCIAL SPECIALISTS

ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Charleston Water Conservancy District

We have compiled the accompanying financial statements of the business-type activities of Charleston Water Conservancy District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis, on pages 2 through 4, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

The C.P.A. Network, LLC

THE C.P.A. NETWORK, LLC
Certified Public Accountants
Provo, Utah, USA

May 23, 2007

Confiderus Group, Inc.
A Strategic Professional Alliance

Members:

The C.P.A. Network, LLC
Audits
Reviews
Compliations

Integritas Public Accounting, LC
Tax
Accounting
Payroll
Business Consulting

Fibonacci Financial, LC
Financial Planning
Asset Management
Risk Management

Members of the American Institute of Certified Public Accountants

560 SOUTH 100 WEST, SUITE 12, PROVO, UT 84601
(801) 375-2969 • FAX (801) 375-2954

CHARLESTON WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006

Introduction

As management of the Charleston Water Conservancy District, we offer readers of the Charleston Water Conservancy District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2006.

Financial Highlights

The assets of the Charleston Water Conservancy District exceeded its liabilities at the close of the most recent fiscal year by $1,999,531 (net assets). Of this amount, $370,724 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by $97,159.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Charleston Water Conservancy District's basic financial statements. The Charleston Water Conservancy District's basic financial statements comprise two components: 1) enterprise fund financial statements, 2) notes to the financial statements.

Enterprise fund financial statements. The Charleston Water Conservancy District is a special-purpose government engaged only in business-type activities providing water services.

The ***Statement of Net Assets*** presents information on all of the Charleston Water Conservancy District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charleston Water Conservancy District is improving or deteriorating.

The ***Statement of Revenues, Expenses and Changes in Net Assets*** presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

The ***Statement of Cash Flows*** presents information showing how the government's cash changed during the most recent fiscal year.

The basic financial statements can be found on pages 5-9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 10-14 of this report.

Government-wide Financial Analysis

By far the largest portion of the Charleston Water Conservancy District's net assets (79 percent) reflects its investment in capital assets (e.g., land, buildings, water system, and equipment), less any related debt used to acquire those assets that was still outstanding, of which the district has none. The Charleston Water Conservancy District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Charleston Water Conservancy District's Net Assets

	2006	2005
Current and other assets	$ 522,672	$ 393,134
Capital assets	1,476,859	1,509,238
Total assets	1,999,531	1,902,372
Long-term liabilities outstanding	0	0
Other liabilities	0	0
Total liabilities	0	0
Net assets:		
Invested in capital assets, net of related debt	1,476,859	1,509,238
Restricted for impact fees	151,948	127,617
Unrestricted	370,724	265,517
Total net assets	$ 1,999,531	$ 1,902,372

At the end of the current fiscal year, the Charleston Water Conservancy District is able to report positive balances in all categories of net assets. The government's net assets increased by $97,159 during the current fiscal year. Sixty percent of the increase came from capital contributions in the form water shares. About twenty percent of the increase represents impact fees received for use in future years. The remaining twenty percent is attributable to interest earned and other sources.

Business-type activities increased the Charleston Water Conservancy District's net assets by $97,159. Key elements of the increase are explained above in the overall increase in net assets.

Charleston Water Conservancy District's Changes in Net Assets

	2006	2005
Revenues:		
Program revenues:		
Charges for services	$ 77,157	$ 74,930
Capital contributions	60,000	2,000
General revenues:		
Property taxes	1,998	1,899
Impact fees	20,000	15,000
Other	19,260	9,781
Total revenues	178,415	103,610
Expenses:		
Water	81,256	72,898
Increase in net assets	97,159	30,712
Net assets – 1/1	1,920,372	1,871,660
Net assets - 12/31	$ 1,999,531	$ 1,902,372

Capital Asset and Debt Administration

Capital assets. The Charleston Water Conservancy District's investment in capital assets as of December 31, 2006, amounts to $1,476,859 (net of accumulated depreciation). This investment in capital assets includes primarily the water system, along with land, buildings and equipment. The total change in capital assets investment for the current fiscal year was a 2% decrease.

Major capital asset events during the current fiscal year included the following:

- None during current fiscal year.

No long term debt has been incurred to finance capital asset investments.

Economic Factors and Next Year's Budgets and Rates

- Water rates will remain unchanged for the 2007 budget year.

Requests for Information

This financial report is designed to provide a general overview of the Charleston Water Conservancy District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Charleston Water Conservancy District, 3469 South 3400 West, Heber City, UT 84032.

CHARLESTON WATER CONSERVANCY DISTRICT

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2005

	2006	2005
Assets		
Current assets		
Cash	$ 1,199	$ 250
Restricted cash	151,948	127,617
Cash and cash equivalents	153,147	127,867
Accounts receivable - net	3,980	5,716
Investments	280,339	234,345
Total current assets	437,466	367,928
Non current assets		
Capital assets		
Non-depreciable		
Land	8,525	8,525
Depreciable (net of accumulated depreciation):		
Buildings	5,872	6,468
Water system	1,462,462	1,494,245
Total capital assets	1,476,859	1,509,238
Other assets		
Water rights and shares	79,806	19,806
Irrigation	5,400	5,400
Total other assets	85,206	25,206
Total non current assets	1,562,065	1,534,444
Total assets	1,999,531	1,902,372
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	0	0
Total liabilities	0	0
Net Assets		
Invested in capital assets, net of related debt	1,476,859	1,509,238
Restricted for impact fees	151,948	127,617
Unrestricted	370,724	265,517
Total net assets	$ 1,999,531	$ 1,902,372

The accompanying notes are an integral part of these financial statements.

See the accompanying accountant's compilation report.

CHARLESTON WATER CONSERVANCY DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2006

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005

	2006	2005
Operating revenues:		
Charges for sales and services	$ 77,157	$ 74,930
Total operating revenues	77,157	74,930
Operating expenses:		
Wages and benefits	16,677	14,537
Insurance	7,972	5,365
Utilities	5,426	6,927
Maintenance and repairs	13,542	7,036
Professional services	1,914	3,891
Testing	975	150
Supplies	886	824
Miscellaneous	1,785	2,089
Depreciation	32,079	32,079
Total operating expenses	81,256	72,898
Operating income	(4,099)	2,032
Nonoperating revenues (expenses):		
Interest revenue	16,725	9,669
Property taxes	1,998	1,899
Impact fees	20,000	15,000
Capital grant revenue	0	0
Miscellaneous	2,535	112
Total nonoperating revenues (expenses)	41,258	26,680
Capital contributions - water shares	60,000	2,000
Change in net assets	97,159	30,712
Total net assets - beginning	1,902,372	1,871,660
Total net assets - ending	$ 1,999,531	$ 1,902,372

The accompanying notes are an integral part of these financial statements.

See the accompanying accountant's compilation report.

CHARLESTON WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005

	2006	2005
Cash Flows From Operating Activities		
Receipts from customers	$ 78,893	$ 78,821
Payments to suppliers	(32,500)	(26,283)
Payments to employees	(16,677)	(14,537)
Net cash provided (used) by operating activities	29,716	38,001
Cash Flows From Noncapital Financing Activities		
Receipts of impact fees	20,000	15,000
Receipts of property taxes	1,998	1,899
Other receipts	2,835	112
Net cash provided (used) by noncapital financing activities	24,833	17,011
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	0	0
Capital grants received	0	10,922
Principal paid on capital debt	0	0
Net cash provided (used) by capital and related financing activities	0	10,922
Cash Flows From Investing Activities		
Interest and dividends received	16,725	9,669
Proceeds from sale of investments	0	0
Purchase of investments	(45,994)	(58,768)
Net cash provided (used) by investing activities	(29,269)	(49,099)
Net increase (decrease) in cash and cash equivalents	25,280	16,835
Cash and cash equivalents - beginning	127,867	111,032
Cash and cash equivalents - end	$ 153,147	$ 127,867
Noncash Investing, Capital, and Financing Activities		
Capital contributions - water shares	$ 60,000	$ 2,000

(Continued on page 8)

The accompanying notes are an integral part of these financial statements.
See the accompanying accountant's compilation report.

CHARLESTON WATER CONSERVANCY DISTRICT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2005

(Continued from page 7)

	2006	2005
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	$ (4,099)	$ 2,032
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	32,079	32,078
Accounts receivable (increase) decrease	1,736	3,891
Accounts payable increase (decrease)	0	0
Total adjustments	33,815	35,969
Net cash provided (used) by operating activities	$ 29,716	$ 38,001

The accompanying notes are an integral part of these financial statements.
See the accompanying accountant's compilation report.

CHARLESTON WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Charleston Water Conservancy District began operations in 1949 and is governed by a five member Board of Directors appointed by the Wasatch County Commissioners. The District pumps and sells water to residents in the Town of Charleston and parts of Wasatch County.

Reporting Entity

The Governmental Accounting Standards Board (GASB) has set forth criteria in GASB Statement No. 14 to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. Based upon the application of the criteria established by GASB Statement No. 14, the District has no component units and is a related organization of Wasatch County.

Government-wide and Fund Financial Statements, Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The Charleston Water Conservancy District is a special-purpose government engaged only in business-type activities providing water services and reports a single proprietary fund type.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for water services. Operating expenses for enterprise funds include the cost of services, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Restricted resources are used first to fund appropriation for applicable restricted uses.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The District follows all Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for its operations. In addition the District applies all applicable Financial Accounting Standards Board (FASB) statements and pronouncements issued on or before November 30, 1989.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less. Cash balances are invested to the extent available.

Investments include the Public Treasurer's Investment Fund and are stated at fair value.

Fixed Assets

Property, plant and equipment are stated at cost. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Depreciation is computed using the straight line method over the estimated useful lives of the assets (5-60 years).

The costs of maintenance and repairs are charged to income as incurred. Significant improvements and major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. 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 the income for the period.

Use of Estimates

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

Comparative data/reclassifications

Comparative total data for the prior year have been presented in order to provide an

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a "qualified depository". The Act defined "qualified depository" as any financial institutions whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defined the types of securities allowed as appropriate temporary investments for the District and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Deposits

Custodial Credit Risk – Deposits

The 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 Money Management Act requires that deposits be in a qualified depository whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

At December 31, 2006, the carrying amount of the District's deposits were $153,147 and the bank balance was $153,677 of which, $100,000 was covered by federal depository insurance. Restricted cash of $151,948 is on hand for impact fees.

Investments

Credit Risk – Investments

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its

obligations. The District's policy for reducing its exposure to credit risk is to follow the guidelines of the Money Management Act as previously discussed.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2006 the District had the following investments:

		Investment Maturities (in years)	
	Fair Value	Less than 1	More than 1
Utah Public Treasurer's Investment Fund	$ 280,339	$ 280,339	$ 0
	$ 280,339	$ 280,339	$ 0

There is no material difference between fair values and carrying amounts of the State Treasurer's Pool shares (fair value share factor is 1.000007). The Utah Public Treasurer's Investment Fund is currently unrated for credit quality.

The degree of risk associated with the investments held by the State Treasurer's Pool depends on the underlying portfolio. Therefore, these amounts are not categorized according to risk. However, the State Treasurer follows the requirements of the Utah Money Management Act with regulatory oversight by the Utah Money Management Council. The summary of investments provided by the State Treasurer shows pool investments in commercial paper, certificates of deposit, corporate notes, U.S. Treasury obligations, and obligation of agencies of the United States.

Reconciliation to the Statement of Net Assets is as follows:

Amounts per Statement of Net Assets	
Cash and cash equivalents	$153,147
Investments	280,339
Total	$433,486

Amounts per Financial Institution and Reconciling Items	
Deposits	$153,677
Investments	280,339
Outstanding checks	(530)
Total	$433,486

CHARLESTON WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes of capital assets:

	Beginning Balance 1/1/06	Additions/ Transfers	Retirements/ Transfers	Ending Balance 12/31/06	Accumulated Depreciation 12/31/06
Land, non-depreciable	$ 8,525	$ 0	$ 0	$ 8,525	$ 0
Buildings	14,932	0	0	14,932	9,060
Tanks and Lines	1,578,462	0	0	1,578,462	182,683
Improvements	84,854	0	0	84,854	34,170
Meters	19,701	0	0	19,701	16,456
Well Equipment	40,937	0	0	40,937	28,183
Office Equipment	5,563	0	0	5,563	5,563
Total	$ 1,752,974	$ 0	$ 0	$ 1,752,974	$ 276,115

Depreciation is computed using the straight-line method.