Jordan Valley Water Conservancy District

Financial Statements and
Independent Auditors' Report

June 30, 2006 and 2005

Jordan Valley Water Conservancy District

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Jordan Valley Water Conservancy District:
West Jordan, Utah

We have audited the accompanying basic financial statements of **Jordan Valley Water Conservancy District** (the District) as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2006 and 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that 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.

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The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The supplemental schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the District's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Haynie & Co.

Salt Lake City, Utah
October 20, 2006

Management's Discussion and Analysis
(Unaudited)

The following is a discussion and analysis of Jordan Valley Water Conservancy District's financial performance providing an overview of the District's financial activities for the year ended June 30, 2006. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities as of the close of the most recent year by $115,781,948.
- The District's total net assets increased by $10,222,150.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements
A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are proprietary funds.

Proprietary funds
The District uses an enterprise fund to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Notes to financial statements
The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes are part of the basic financial statements.

Other information
In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District.

Financial statement analysis
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $115,781,948 at the close of the most recent fiscal year.

Jordan Valley Water Conservancy District's Net Assets

	2006	2005	2004
Current and other assets	$ 57,846,756	$ 35,109,061	$ 48,232,742
Capital assets	196,355,602	184,204,967	167,530,406
Total assets	254,202,358	219,314,028	215,763,148
Current and other liabilities	10,973,874	9,961,107	7,309,806
Long-term liabilities	127,446,536	103,793,123	110,118,771
Total liabilities	138,420,410	113,754,230	117,428,577
Fund Net Assets:			
Invested in capital assets, net of related debt	63,872,802	75,848,375	52,001,844
Restricted	21,029,894	4,803,665	24,493,824
Unrestricted	30,879,252	24,907,758	21,838,903
Total fund net assets	$115,781,948	$105,559,798	$ 98,334,571

The largest portion of the District's net assets (55.17% in 2006, 71.85% in 2005, and 52.88% in 2004) reflects its investment in capital assets (e.g. land, buildings, water systems, equipment, and water rights), less any related debt used to acquire those assets that is still outstanding.

An additional portion of the District's net assets (18.16% in 2006, 4.55% in 2005, and 24.91% in 2004) represents resources that are subject to external restrictions on how they may be used. The restricted balance is for capital projects and debt service reserve accounts.

The remaining balance of *unrestricted net assets* (26.67% in 2006, 23.60% in 2005 and 22.21% in 2004) may be used to meet the District's obligations to customers, member agencies, employees, and creditors.

At the end of the fiscal year, the District is able to report positive balances in all three categories of net assets.

Jordan Valley Water Conservancy District's Changes in Net Assets

	2006	2005	2004
Revenues:			
Operating revenues - charges for services	$ 28,682,559	$ 23,539,333	$ 25,126,680
Operating contributions	1,659,478	2,901,967	30,000
Other revenues:			
Property taxes	9,530,648	8,445,006	8,179,174
Interest income on investments	2,457,744	1,133,168	929,110
Net (decrease) increase in the fair value of investments	(91,524)	(68,217)	22,846
Intergovernmental revenue	49,288	622,929	202,500
Other non-operating revenue	513,721	446,579	470,879
Gain on sale of assets	50,518	175,219	20,095
Total revenues	42,852,432	37,195,984	34,981,284
Expenses:			
Operating expenses - general government	27,281,756	25,713,008	25,433,860
Interest on long-term debt	5,348,526	4,257,749	4,421,356
Total expenses	32,630,282	29,970,757	29,855,216
Transfers of assets and related contributed capital	-	-	-
Change in net assets	10,222,150	7,225,227	5,126,068
Net assets - beginning of year	105,559,798	98,334,571	93,208,503
Net assets - end of year	$115,781,948	$105,559,798	$ 98,334,571

The District's net assets increased by $10,222,150 and $7,225,227 for the years ended June 30, 2006 and 2005, respectively. Key elements of this increase are as follows:

- Operating revenues increased by $5,143,226 for the year ended June 30, 2006, and decreased $1,587,347 for the year ended June 30, 2005, due to the amount of water delivered.
- Property taxes increased by $1,085,642 and $265,832 for the years ended June 30,2006 and 2005, respectively, due to an increase in assessing and collecting of property taxes.
- Interest income on investments increased by $1,324,576 and $204,058 for the years ended June 30,2006 and 2005, respectively.
- Increases in expenses closely paralleled inflation and growth in the demand for services.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets for its governmental activities, as of June 30, 2006 and 2005, amounted to $196,355,602 and $184,204,967, respectively (net of accumulated depreciation). This investment in capital assets includes the water system, administrative buildings and equipment, aqueduct rights and privileges, and water rights stock.

Major capital asset events during the years ended June 30, 2006 and 2005, respectively, included the following:

- Investments in water systems land of $2,930,667 and $4,354,657
- Investments in surface water resources of $4,049,982 and $4,744,423
- Increase in water lines and equipment of $2,468,924 and $792,895

Jordan Valley Water Conservancy District's Capital Assets
(net of depreciation)

	2006	2005	2004
Utility plant in service, net	$119,771,238	$115,314,675	$103,868,450
Construction in progress	5,378,416	1,228,572	441,004
Aqueduct rights and privileges, net	27,248,999	27,754,753	28,058,408
Investments in surface water resources	43,956,949	39,906,967	35,162,544
Total	$196,355,602	$184,204,967	$167,530,406

Additional information on the District's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the current year, the District had total debt outstanding of $132,128,977. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds), and notes payable.

Jordan Valley Water Conservancy District's Outstanding Debt

	2006	2005	2004
Revenue bonds	$129,873,338	$107,718,792	$112,572,835
Notes payable	2,255,639	-	30,933
Total	$132,128,977	$107,718,792	$112,603,768

The District receives its revenue bonds through the Utah Water Finance Agency. The Utah Water Finance Agency is a cooperative formed with other state water districts and cities that come together to obtain bonds in an effort to achieve better economies of scale on issuance and other related costs. The District's revenue bonds are rated Aaa by Moody's and are insured.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of Jordan Valley Water Conservancy District's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the office of the District in care of the Controller at P.O. Box 70, 8215 South 1300 West, West Jordan, Utah 84088-0070.

Jordan Valley Water Conservancy District

Balance Sheets - Proprietary Fund

June 30	2006	2005
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 25,413,487	$ 20,918,811
Investments (Note 2)	42,200	40,800
Accounts receivable:		
Salt Lake County Treasurer - property tax collections	180,261	172,819
Water - wholesale billings (Note 9)	4,141,100	2,491,666
Water - retail billings	1,074,824	741,604
Other	1,505,948	1,779,473
Inventories	193,280	155,034
Total current assets	32,551,100	26,300,207
Noncurrent assets:		
Restricted assets (Notes 2 and 4):		
Cash and cash equivalents	293,929	281,327
Investments	20,735,965	4,522,338
Total restricted assets	21,029,894	4,803,665
Capital assets (Note 3):		
Utility plant in service, net	119,771,238	115,314,675
Construction in progress	5,378,416	1,228,572
Aqueduct rights and privileges, net	27,248,999	27,754,753
Investments in surface water resources	43,956,949	39,906,967
Total capital assets	196,355,602	184,204,967
Long-term investments (Note 2)	2,719,435	2,683,500
Bond issuance costs, net	1,546,327	1,321,689
Total noncurrent assets	221,651,258	193,013,821
Total assets	$ 254,202,358	$ 219,314,028

See accompanying notes to financial statements

Jordan Valley Water Conservancy District

Balance Sheets - Proprietary Fund (continued)

June 30	2006	2005
Liabilities		
Current liabilities:		
Current portion of long-term debt (Note 4)	$ 6,582,591	$ 5,885,159
Accounts payable	2,088,842	1,980,105
Accrued interest payable	990,754	869,949
Accrued wages and payroll taxes	525,651	473,020
Accrued compensated absences	604,243	563,417
Accrued and other liabilities	181,793	189,457
Total current liabilities	10,973,874	9,961,107
Long-term debt, net of current portion (Note 4)	125,546,386	101,833,633
Unamortized bond premium, net of discounts	1,210,541	1,083,851
Deferred gain on interest rate swap (Note 4)	689,609	875,639
Total long-term liabilities	127,446,536	103,793,123
Total liabilities	138,420,410	113,754,230
Fund net assets:		
Invested in capital assets, net of related debt	63,872,802	75,848,375
Restricted (Note 4):		
Renewal and replacement	293,929	281,327
Future debt service	4,430,136	4,522,338
Future capital projects	16,305,829	-
Unrestricted (Note 5)	30,879,252	24,907,758
Total fund net assets	115,781,948	105,559,798
Total liabilities and fund net assets	$ 254,202,358	$ 219,314,028

See accompanying notes to financial statements

Jordan Valley Water Conservancy District

Statements of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund

For the years ended June 30	2006	2005
Revenues:		
Metered sales of water:		
Wholesale	$ 24,030,031	$ 19,559,722
Retail	4,171,737	3,605,181
Other	480,791	374,430
Total revenues	28,682,559	23,539,333
Operating expenses:		
Direct expenses:		
Water purchased	8,151,772	7,933,313
Operating and maintenance	6,679,082	6,389,551
General and administrative	7,698,085	7,117,728
Depreciation and amortization	4,752,817	4,272,416
Total operating expenses	27,281,756	25,713,008
Operating gain (loss)	1,400,803	(2,173,675)
Other revenues (expenses):		
General property taxes	9,530,648	8,445,006
Interest income on investments	2,457,744	1,133,168
Net decrease in the fair value of investments	(91,524)	(68,217)
Other non-operating revenue	513,721	446,579
Gain on sale of capital assets	50,518	175,219
Intergovernmental revenue	49,288	622,929
Interest expense	(5,348,526)	(4,257,749)
Total other revenues	7,161,869	6,496,935
Income before contributions and transfers	8,562,672	4,323,260
Contributions in aid of construction for water systems	1,659,478	2,901,967
Changes in net assets	10,222,150	7,225,227
Net assets, beginning of year	105,559,798	98,334,571
Net assets, end of year	$ 115,781,948	$ 105,559,798

See accompanying notes to financial statements

Jordan Valley Water Conservancy District

Statements of Cash Flows - Proprietary Fund

For the years ended June 30	2006	2005
Cash flows from operating activities:		
Receipts from customers and users	$ 26,219,114	$ 24,717,388
Other operating cash receipts (payments)	708,628	(201,664)
Payments to suppliers of goods and services	(14,729,781)	(14,039,402)
Payments to employees and other operating cash payments	(7,483,823)	(7,050,072)
Other non-operating revenue	513,721	446,579
Net cash provided by operating activities	5,227,859	3,872,829
Cash flows from non-capital financing activities:		
Property tax revenue	9,530,648	8,445,006
Intergovernmental grants received	49,288	622,929
Net cash provided by non-capital financing activities	9,579,936	9,067,935
Cash flows from capital and related financing activities:		
Bond issuance costs	(362,664)	(261,549)
Premiums/discounts on bonds	239,908	1,146,804
Proceeds from new bonds issued	26,330,000	27,080,000
Proceeds from new notes	2,255,640	-
Principal paid on revenue bonds and other contracts	(4,175,454)	(31,964,976)
Acquisition and construction of capital assets	(16,878,645)	(20,987,739)
Proceeds from sale of capital assets	50,518	254,529
Contributions in aid of construction	1,659,478	2,901,967
Interest paid on revenue bonds and other contracts	(5,534,556)	(4,471,828)
Net cash provided (used) by capital and related financing activities	3,584,225	(26,302,792)
Cash flows from investing activities:		
Interest income on investments	2,288,085	1,133,168
Proceeds from maturity of long-term investments	40,800	2,499,473
Purchase of long-term investments	-	(2,500,000)
Restricted investments (increase)/decrease	(16,213,627)	19,696,611
Net cash (used) provided by investing activities	(13,884,742)	20,829,252
Net increase in cash and equivalents	4,507,278	7,467,224
Cash and equivalents, beginning of year	21,200,138	13,732,914
Cash and equivalents, end of year	$ 25,707,416	$ 21,200,138

See accompanying notes to financial statements

Jordan Valley Water Conservancy District

Statements of Cash Flows - Proprietary Fund (continued)

For the years ended June 30		2006		2005
Reconciliation of operating loss to net cash provided by operating activities:				
Operating gain (loss)	$	**1,400,803**	$	(2,173,675)
Depreciation and amortization		**4,752,817**		4,272,416
(Increase) decrease in accounts receivable		**(1,716,571)**		940,851
(Increase) decrease in inventories		**(38,246)**		35,540
Increase in accounts payable		**108,737**		233,115
Increase in accrued and other liabilities		**206,598**		118,003
Net cash provided by operating activities	$	**4,714,138**	$	3,426,250
Cash and cash equivalents summary:				
Cash and cash equivalents	$	**25,413,487**	$	20,918,811
Restricted cash and cash equivalents		**293,929**		281,327
Total cash and cash equivalents	$	**25,707,416**	$	21,200,138
Noncash investing, capital, and financing activities:				
Increase in long-term debt from interest added to capital appreciation bonds	$	**1,709,705**	$	1,841,116
Deferred gain on interest rate swap	$	**(186,030)**	$	(214,079)
Net unrealized loss on investments	$	**91,524**	$	68,217

See accompanying notes to financial statements

Note 1 - Significant accounting policies

The Jordan Valley Water Conservancy District, a Utah political subdivision, (the District) was organized on September 14, 1951 under the Utah Water Conservancy Act. The District encompasses an area of approximately 175 square miles in the western and southern regions of the Salt Lake Valley and the northern tip of Utah County in the State of Utah. The District changed its name in 1999 from Salt Lake County Water Conservancy District. The District is not a component unit of any other governmental entity, and it has one component unit, Jordan Valley Conservation Gardens Foundation.

Jordan Valley Conservation Gardens Foundation (Foundation), a Utah 501(c)(3) not-for-profit organization, was organized on September 29, 2005. The Foundation was organized for the purpose of raising funds to expand the conservation demonstration gardens. As of June 30, 2006, there was no activity within the Foundation.

The District is primarily a wholesaler of water to other agencies but also has a retail service area and provides irrigation water to the agricultural community. The main role of the District is to develop and purchase water where it is available, and treat and transport it to where it is needed, in order to ensure that an adequate water supply is available for its service area. The District has contracted with various cities and water improvement districts to supply water to them. Water is billed on the basis of the District's cost to provide such service.

The District is divided into seven divisions and is governed by a board of eight trustees from the divisions, one from each of six divisions and two from the seventh division, who are appointed by the Governor of the State of Utah, subject to confirmation by the Utah State Senate.

The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The District develops, purchases, treats, and sells water to retail and wholesale customers and operates in no other industry. The following is a summary of the more significant of such policies.

Presentation - The District has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus,* and GASB Statement No. 38, *Certain Financial Statement Disclosures.* These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the District's financial statements resulting from the adoption of these statements are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net asset presentation.

The District reports its water production, storage, and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of accounting - The District is an enterprise fund and its records are maintained on the accrual basis of accounting. The District elected to follow all Governmental Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except those that conflict with a GASB pronouncement, in accordance with GASB Statement No. 20.

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

Cash and cash equivalents - For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Inventories - Inventories are stated at the lower of cost (on the first-in, first-out basis) or market.

Note 1 - Significant accounting policies (continued)

Investments - Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* This statement requires that investments be reported at fair value in the balance sheet, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less. Such investments may be reported at amortized costs. All investment income, including changes in the fair value of investments, is to be recognized in the operating statement. The net decrease in the fair value of investments for the years ended June 30, 2006 and 2005 was $91,524 and $68,217, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the years.

Capital assets - Utility plant in service is stated at cost, except for donated capital assets, which are reported at their estimated fair value at the date of donation. Costs incurred for repairs and maintenance that do not extend the useful life of an asset are recorded as an expense in the statement of revenues, expenses, and changes in net assets. Additions, improvements, and betterments that provide future benefit and exceed the District's capitalization threshold of $1,000 are recorded as capital assets in the balance sheet. Depreciation has been provided using the straight-line method over estimated useful lives as follows:

	Years
Wells and equipment	40
Reservoirs	60
Water lines and equipment	5-60
Telemetering	20
Treatment plant	40
Office buildings	40
Office furniture and equipment	5-10
Trucks and other equipment	4-10
Conservation program costs	5

No depreciation is provided on construction in progress until the asset is placed in service.

Aqueduct rights and privileges are stated at cost. Amortization has been provided using the straight-line method over their estimated useful lives.

Investments in surface water resources represent investments in water stock and are stated at cost.

Bond issuance costs - Costs incurred in the issuance of bonds are deferred and amortized over the term of the related bonds using a method approximating the effective interest method.

Contributions in aid of construction - Contributions in aid of construction include the cost or appraised value of water lines installed by subdividers which become part of the water system at no cost to the District.

Risk management - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All general liability, real property, and vehicles are insured through commercial policies. The District has established a self-insurance reserve to fund deductibles on the commercial policies. There have been no insurance claims or settlements made for the years ended June 30, 2006, 2005 and 2004.

Compensated absences - The District accrues unpaid annual leave, up to 320 hours, when earned by the employee. The District also accrues unpaid compensatory leave and sick leave, a portion of which can be converted to cash or annual leave at the end of the year, when earned by the employee. All accrued leave at June 30, 2006 and 2005 was recorded as a current liability.

Long-term obligations - In the proprietary fund financial statements, long-term debt is reported as a liability in the applicable proprietary fund type statement of net assets.

Restricted assets - Restricted assets are comprised of cash and investments restricted for future payments of principal and interest on debt service as well as bonds issued for capital construction purposes.

Note 1 - Significant accounting policies (continued)

Property taxes - The property taxes of the District are levied, collected, and distributed by Salt Lake County as required by Utah State law. Utah statutes established the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 22. By July 22, the county auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 8 and August 22 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date of November 30.

Operating and non-operating revenues - The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for services provided by the District. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interest rate swap - The District may enter into interest rate swap agreements to modify interest rates on outstanding debt. Any gains or losses resulting from terminated interest rate swap agreements are deferred over the life of the related debt. The net interest expenditures resulting from these agreements and the deferred gain resulting from the termination of the interest rate swap are recorded as interest expense in the financial statements.

Note 2 - Cash, cash equivalents, and investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the District's funds in a qualified depository. The Act defines quailified depository as any financial institution whose deposits are insured by an agency of the Federal Government and that 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.

Deposits

Cash and cash equivalents consisted of the following:

June 30	2006	2005
Unrestricted:		
Cash on deposit - demand and money market	$ 5,855,497	$ 3,673,733
Utah Public Treasurer's Investment Fund	18,228,807	14,199,615
Repurchase agreements	1,329,183	3,045,463
Total unrestricted cash and cash equivalents	25,413,487	20,918,811
Restricted:		
Utah Public Treasurer's Investment Fund	293,929	281,327
Total restricted cash and cash equivalents	293,929	281,327
Total cash and cash equivalents	$ 25,707,416	$ 21,200,138

The District has committed by board designation, cash and cash equivalents totaling $17,362,310 and $14,519,722 as of June 30, 2006 and 2005, respectively. The District maintains these committed funds in the Operating and Maintenance, Revenue, Capital Projects, Self Insurance, Development Fee, General Equipment, Conservation, and Customer Deposit Funds.

Certain of the District's assets are restricted by provisions of the revenue refunding bond and revenue bond resolutions (see Note 4). The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of, or guaranteed by, the United States Government.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk.

Note 2 - Cash, cash equivalents, and investments (continued)

The District's bank deposits consisted of the following:

June 30	2006	2005
Carrying amount	$ 7,184,280	$ 6,718,797
Bank balance:		
Covered by federal depository insurance	200,000	200,000
Uninsured and uncollateralized	7,282,090	7,144,373
Total	$ 7,482,090	$ 7,344,373

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poor's; bankers' acceptances; obligations of the U.S. Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund. All investments held by the District at June 30, 2006 comply with the provisions of the Act.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

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 participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

The District had the following investments and maturities:

June 30					2006
		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Unrestricted:					
Investment contracts backed by U.S. Govt. Securities	$ 183,500	$ 42,200	$ 134,900	$ -	$ 6,400
Investment - Utah PTIF	101,572	101,572	-	-	-
Investment - FNMA	2,476,563	-	2,476,563	-	-
Total unrestricted	2,761,635	143,772	2,611,463	-	6,400
Restricted:					
Investment - Utah PTIF	16,306,818	16,306,818	-	-	-
Investment - FNMA	1,047,000	1,047,000	-	-	-
Investment - FHLB	3,382,147	3,382,147	-	-	-
Total restricted	20,735,965	20,735,965	-	-	-
Total investments	$ 23,497,600	$ 20,879,737	$ 2,611,463	$ -	$ 6,400

Note 2 - Cash, cash equivalents, and investments (continued)

June 30 — 2005

Investment Type	Fair Value	Investment Maturities (in Years): Less than 1	1-5	6-10	More than 10
Unrestricted:					
Investment contracts backed by U.S. Govt. Securities	$ 224,300	$ 40,800	$ 177,100	$ -	$ 6,400
Investment - FNMA	2,500,000	-	2,500,000	-	-
Total unrestricted	2,724,300	40,800	2,677,100	-	6,400
Restricted:					
Investments - Utah PTIF	192	192	-	-	-
Investments - FNMA (bond project funds)	4,522,146	4,522,146	-	-	-
Total restricted	4,522,338	4,522,338	-	-	-
Total investments	$ 7,246,638	$ 4,563,138	$ 2,677,100	$ -	$ 6,400

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

The District had the following investments and quality ratings:

June 30 — **2006**

Investment Type	Fair Value	Quality Ratings: AAA	AA	A	Unrated
Investment contracts backed by U.S. Government Securities	$ **183,500**	$ -	$ -	$ -	$ **183,500**
Investment - Utah PTIF	**16,408,390**	-	-	-	**16,408,390**
Investment - FNMA	**3,523,563**	**3,523,563**	-	-	-
Investment - FHLB	**3,382,147**	**3,382,147**	-	-	-
Total investments	$ **23,497,600**	$ **6,905,710**	$ -	$ -	$ **16,591,890**

June 30 — 2005

Investment Type	Fair Value	Quality Ratings: AAA	AA	A	Unrated
Investment contracts backed by U.S. Government Securities	$ 224,300	$ -	$ -	$ -	$ 224,300
Investment - Utah PTIF	192	-	-	-	192
Investment - FNMA	7,022,146	7,022,146	-	-	-
Total investments	$ 7,246,638	$ 7,022,146	$ -	$ -	$ 224,492

Note 3 - Capital assets

Capital asset activity for the year ended June 30, 2006 is the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Water systems land	$ 20,999,125	$ 2,930,667	$ -	$ 23,929,792
Office land	700,958	-	-	700,958
Construction in progress	1,228,572	4,149,844	-	5,378,416
Investments in surface water resources	39,906,967	4,049,982	-	43,956,949
Total capital assets, not being depreciated	62,835,622	11,130,493	-	73,966,115
Capital assets, being depreciated:				
Wells and equipment	21,092,067	244,450	-	21,336,517
Reservoirs	8,285,533	65,192	-	8,350,725
Water lines and equipment	49,792,349	2,468,924	-	52,261,273
Telemetering	5,888,979	457,252	-	6,346,231
Source of supply	11,682,671	-	338,396	11,344,275
Treatment plant	22,258,114	1,320,665	-	23,578,779
Office buildings	8,124,038	-	-	8,124,038
Office furniture and equipment	1,828,064	363,047	-	2,191,111
Vehicles and other equipment	3,078,805	319,663	194,408	3,204,060
Jordan aqueduct system	36,921,435	75,839	-	36,997,274
Capitalized interest	2,745,346	597,247	-	3,342,593
Total capital assets, being depreciated	171,697,401	5,912,279	532,804	177,076,876
Less accumulated depreciation	50,328,056	4,553,741	194,408	54,687,389
Net capital assets	$ 184,204,967	$ 12,489,031	$ 338,396	$ 196,355,602

Capital asset activity for the year ended June 30, 2005 is the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Water systems land	$ 16,723,778	$ 4,354,657	$ 79,310	$ 20,999,125
Office land	700,958	-	-	700,958
Construction in progress	441,004	1,228,572	441,004	1,228,572
Investments in surface water resources	35,162,544	4,744,423	-	39,906,967
Total capital assets, not being depreciated	53,028,284	10,327,652	520,314	62,835,622
Capital assets, being depreciated:				
Wells and equipment	18,111,671	2,993,800	13,404	21,092,067
Reservoirs	7,900,563	384,970	-	8,285,533
Water lines and equipment	49,108,382	792,895	108,928	49,792,349
Telemetering	2,182,678	3,935,992	229,691	5,888,979
Source of supply	11,691,017	647,614	655,960	11,682,671
Treatment plant	21,604,000	659,093	4,979	22,258,114
Office buildings	8,124,038	-	-	8,124,038
Office furniture and equipment	2,096,229	162,758	430,923	1,828,064
Vehicles and other equipment	2,989,854	236,573	147,622	3,078,805
Jordan aqueduct system	36,664,783	256,652	-	36,921,435
Capitalized Interest	1,828,992	1,030,743	114,389	2,745,346
Total capital assets, being depreciated	162,302,207	11,101,090	1,705,896	171,697,401
Less accumulated depreciation	47,800,085	4,119,479	1,591,508	50,328,056
Net capital assets	$ 167,530,406	$ 17,309,263	$ 634,702	$ 184,204,967

Note 3 - Capital assets (continued)

Aqueduct rights and privileges - The District has acquired a contractual right to approximately 71% of the carrying capacity of the Jordan Aqueduct of the Bonneville Unit of the Central Utah Project (the Aqueduct) from the United States Department of Interior, Bureau of Reclamation (the Bureau) which constructed the aqueduct and retains indefinite title thereto. Rights and privileges of this carrying capacity have been capitalized at the amounts originally payable to the Bureau for construction of the Aqueduct. Accumulated amortization was $9,748,275 and $9,166,682 at June 30, 2006 and 2005, respectively.

Note 4 - Long-term debt

Long-term debt consisted of the following:

June 30	2006	2005
Series 1992 revenue refunding bonds payable, dated March 1, 1992; interest at 6.00% to 7.00%, capital appreciation bonds issued without coupons, with interest added to the outstanding balance semi-annually, maturing in annual installments through 2015	$ 25,075,314	$ 27,165,609
Series 2000 revenue bonds payable, dated April 15, 2000; interest payable semi-annually at 4.50% to 5.38%, maturing in annual installments through 2025	4,545,000	5,075,000
Series 2001 revenue refunding bonds payable, dated March 15, 2001; interest payable semi-annually at 3.20% to 5.25%, maturing in annual installments through 2026	15,188,024	15,198,183
Series 2002 A-5 revenue bonds payable, dated September 12, 2002; interest payable monthly at a variable weekly rate (4.02% at June 30, 2006), maturing in annual installments through 2027	14,900,000	14,900,000
Series 2002C revenue bonds payable, dated October 31, 2002; interest payable semi-annually at 3.00% to 5.25%, maturing in annual installments through 2028	17,905,000	18,300,000
Series 2005A revenue refunding bonds payable, dated March 2, 2005; interest payable semi-annually at 3.25% to 5.00%, maturing in annual installments through 2024	25,930,000	27,080,000
Series 2005B revenue refunding bonds payable, dated July 27, 2005; interest payable semi-annually at 3.25% to 5.00%, maturing in annual installments beginning October 2008 through 2023	10,130,000	-
Series 2005 A-14 revenue bonds payable, dated July 27, 2005; interest payable monthly at a variable weekly rate (4.02% at June 30, 2006), maturing in annual installments beginning October 2023 through 2036	16,200,000	-
Notes payable, dated March 27, 2006 and June 6, 2006, respectively; interest compounded monthly at 5%, maturing in annual installments through 2010	2,255,639	-
Total debt	132,128,977	107,718,792
Less current portion	6,582,591	5,885,159
Long-term portion	$ 125,546,386	$ 101,833,633

Future maturities of long-term debt are as follows:

Fiscal year ending June 30	
2007	$ 6,582,591
2008	6,689,320
2009	7,247,416
2010	7,441,949
2011	6,975,159
2012-2016	24,516,109
2017-2021	26,315,795
2022-2026	26,410,638
2027-2031	12,850,000
2032-2036	7,100,000
Total	$ 132,128,977

Note 4 - Long-term debt (continued)

Long-term debt transactions for the year ended June 30, 2006 are as follows:

	Beginning Balance	Proceeds	Payments	Ending Balance	Due Within One Year
Revenue bonds	$ 108,515,609	$ 28,039,705	$ 5,925,000	$ 130,630,314	$ 6,100,000
Notes payable	-	2,255,640	-	2,255,640	522,432
Total long-term debt	108,515,609	30,295,345	5,925,000	132,885,954	6,622,432
Less: deferred interest	796,817	-	39,840	756,977	39,841
Net	$ 107,718,792	$ 30,295,345	$ 5,885,160	$ 132,128,977	$ 6,582,591

Long-term debt transactions for the year ended June 30, 2005 are as follows:

	Beginning Balance	Proceeds	Payments	Ending Balance	Due Within One Year
Revenue bonds	$ 113,409,493	$ 27,080,000	$ 31,973,884	$ 108,515,609	$ 5,925,000
Contract payable	30,933	-	30,933	-	-
Total long-term debt	113,440,426	27,080,000	32,004,817	108,515,609	5,925,000
Less: deferred interest	836,658	-	39,841	796,817	39,841
Net	$ 112,603,768	$ 27,080,000	$ 31,964,976	$ 107,718,792	$ 5,885,159

Interest rate swap agreement - In January 2000, the District entered into an interest rate swap agreement for its fixed rate 1992 Series Revenue Refunding Bonds. Under the terms of the interest rate swap, the District swapped its fixed interest rate for a variable rate. In March 2001, the interest rate swap was terminated resulting in a net gain of $1,980,000. Gains and losses realized upon settlement of these bonds are deferred and amortized to interest expense over the period relevant to the underlying bond. Amortization of the deferred gain on the termination of the interest rate swap agreement reduced interest expense, for the years ended June 30, 2006 and 2005, by $186,030 and $214,079, respectively.

Defeasance of debt - On March 2, 2005, the District issued $27,080,000 of revenue refunding bonds with an interest rate ranging from 3.25% - 5.00%; to refund $15,545,000 of the outstanding series 1993 bonds with an average interest rate of 4.732%, and to advance refund $12,835,000 of the outstanding series 1998 bonds with an average interest rate of 4.664%. The net proceeds for the series 1998 bonds' advance refunding were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the series 1998 bonds. As a result, the series 1998 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The difference between the reacquisition price and the net carrying amount of the old debt is reported in the accompanying financial statements as a deduction from bonds payable, and will be charged to operations through the year 2024 using the effective interest method. The District completed the refunding and advance refunding to reduce its total interest payments over the next 19 years by $3,389,101 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $2,405,404.

Prior-year defeasance of debt - In prior years, the District defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2006, $29,170,100 of bonds outstanding are not included in the District's financial statements and are considered defeased.

Note 4 - Long-term debt (continued)

The following are selected provisions of the revenue refunding and revenue bond resolutions:

Pledge of the Bond Resolutions - The Bond Resolutions provide that the Bonds shall be special obligations of the District payable solely from and secured by: i) the proceeds of sale of the Bonds; ii) all revenues, connection fees, income, rents, and receipts attributable to the water supply and distribution system (the System), except taxes levied to provide for operation and maintenance costs, and income from investments of any monies held pursuant to the Resolutions, except monies held in the Construction Fund; and iii) all funds, other than the Operation and Maintenance Fund, established by the Resolutions. The Resolutions do not require the District to pledge any property constituting part of the System.

Payments of the principal and interest on all outstanding revenue bonds are insured by municipal bond insurance policies issued by AMBAC Indemnity Corporation.

Funds required by the Bond Resolutions - The Resolutions require that certain "funds" be established to account for the District's receipts and disbursements. Such "funds" are accounts within the District's records and are not separate funds or groups of self-balancing accounts. The amounts held in these funds are to be used for the purposes stipulated in the Resolutions as described below. Funds held by the trustee have been restricted and corresponding amounts of retained earnings have been reserved.

Revenue Fund (held by the District) - This fund initially receives revenues, excluding property taxes, and disburses them to the Principal and Interest Fund and then to the Renewal and Replacement Fund. Any remaining revenues may be applied at the determination of the District to: (1) the purchase or redemption of any Bonds and payment of expenses in connection with the purchase or redemption of any Bonds; (2) payments of principal or redemption price of an interest on any Bonds, including general obligation or junior lien revenue bonds of the District, issued to acquire improvements or extensions to the System; (3) payments into the bond project funds; (4) payment of the cost of capital improvements to the System and (5) any other lawful purpose of the issuer. The District is required to have, on deposit, 25 percent of total annual debt service at all times ($2,434,121 at June 30, 2006). At June 30, 2006, the balance of cash and investments in the fund was $8,330,092.

Operation and Maintenance Fund (held by the District) - This fund pays all costs of operations and maintenance as appropriated in the annual budget. The District is required to have, on deposit, sufficient funds to efficiently operate and maintain it's system for three calendar months ($2,800,000 at June 30, 2006). Property tax revenues are received directly into this fund. At June 30, 2006, the balance of cash and investments in the fund was $7,716,440.

Renewal and Replacement Funds (held by the District) - These funds pay for extraordinary operation and maintenance costs, contingencies, and any other costs of additional facilities not covered by the proceeds of insurance or other recoverable monies. In the event a deficiency arises in the Principal and Interest Fund, monies in the Renewal and Replacement Funds shall be transferred to this fund to satisfy the deficiency. Any remaining funds not used to satisfy the deficiency, or not needed for any purpose for which this fund was established, shall be deposited into the Revenue Fund. At June 30, 2006, the balances of cash and investments in these funds were $128,920 and $93,671 held in bond renewal and replacement accounts.

Principal and Interest Funds (held by the Trustee) - These funds hold any debt service reserve amounts and pay all interest and principal related to the Bonds. The debt service reserve requirement is equal to the average annual debt service on the bonds at the time of issuance. At June, 30 2006, the fair value balance of cash and investments in these funds consisted of $2,342,964 in the 1992 debt service reserve fund, $154 in the 2000 bond fund, and $2,087,018 in the 2005A debt service reserve fund.

Bond Project Funds (held by the Trustee) - These funds hold and disburse bond proceeds for the acquisition costs of construction projects. At June 30, 2006, the balance of cash and investments was $354,976 in the 2005B Fund, and $15,950,853 in the 2005A-14 Fund.

Restricted assets - Restricted assets represent cash and investments and related accrued interest receivable restricted for purposes of the Renewal and Replacement Fund, Jordan Valley Water Treatment Plant Maintenance Fund, Jordan Aqueduct Maintenance Fund, Bond Projects Fund, Bond cash accounts, and Principal and Interest Funds (see Note 2).

Note 4 - Long-term debt (continued)

Restricted net assets - Net assets for certain restricted assets have been reserved as follows:

June 30		2006		2005
Renewal and Replacement Fund	$	**128,920**	$	123,393
Jordan Valley Water Treatment Plant Maintenance Fund		**71,338**		68,279
Jordan Aqueduct Maintenance Fund		**93,671**		89,655
Bond Projects Fund		**16,305,829**		-
Bond cash accounts		**154**		192
Principal and Interest Funds:				
1992 Reserve		**2,342,964**		2,353,642
2005A Reserve		**2,087,018**		2,168,504
Total	$	**21,029,894**	$	4,803,665

Note 5 - Unrestricted net assets

The following "funds" have been established by board designation and the amounts held in these funds committed for the purposes stipulated. Such "funds" are accounts within the District's records and are not separate funds or groups of self-balancing accounts.

Bond Covenant - Minimum Balances – As explained in the previous note, the District's bond resolutions require that a minimum balance be maintained in the Revenue Fund and Operation and Maintenance Fund.

Development Fee Fund – This fund was established to receive retail connection fees that will be used to fund expansion or improvements to the retail system. The balance in this fund is determined by connection and development fees collected, less any expenditures.

Capital Projects Fund – Capital projects, authorized by the Board, are paid from this fund. Bond proceeds are transferred into the fund as projects are completed. Additional funding, as designated by the Board, may be made from other District funds.

Emergency Reserve / Self Insurance Fund – This fund was established to reserve assets to pay for all self-insured claims and supplemental insurance premiums. In addition, this fund will be used to begin repairs in the case of catastrophic events.

Conservation Fund – Programs related to the District's water conservation plan and other conservation activities are paid from this fund. District funding and contributions from partner agencies for District-sponsored conservation programs are deposited in the fund.

General Equipment Fund – This fund facilitates the budgeting and funding of vehicles and other depreciable equipment. Expenditures from the fund are authorized by the Board during the budgeting process.

Meter Deposit Fund – This fund was established to receive deposits on new retail water accounts, specifically from commercial customers. When an account is terminated, a refund of the deposit amount will be made to the customer if there is no outstanding balance owing on the account. This fund is held in a separate, non interest bearing, account.

Uncommitted Net Assets – The uncommitted portion of the unrestricted net assets totaled $13,516,942 and $10,388,036 as of June 30, 2006 and 2005, respectively. The uncommitted net assets consisted of cash and cash equivalents from the Operation and Maintenance, and Revenue Funds that were in excess of the minimum balances from bond covenants, as well as other current assets and current liabilities. Uncommitted net assets may fluctuate from year to year based upon the balances in those accounts. Following approval of the audited financial statements, an amount approximating net income will be committed by board designation and transferred to various funds.

Note 5 - Unrestricted net assets (continued)

Unrestricted net assets are broken out as follows:

June 30	2006	2005
Committed:		
Bond covenant - minimum balances	$ 5,234,121	$ 4,756,490
Development fee fund	2,736,762	2,521,103
Capital projects fund	5,493,337	3,989,722
Emergency reserve / self insurance fund	2,285,234	2,141,854
Conservation fund	1,229,418	941,782
General equipment fund	351,958	145,291
Meter deposit fund	31,480	23,480
Uncommitted	13,516,942	10,388,036
Total unrestricted net assets	$ 30,879,252	$ 24,907,758

Note 6 - Retirement plans

Plan description - The District contributes to the Local Governmental Contributory Retirement System (Contributory System) and Local Governmental Noncontributory Retirement System (Noncontributory System), both of which are cost-sharing, multiple-employer, defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Systems and plans. Chapter 49 places the Systems, the Office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding policy - Plan members of the Contributory System are required to contribute 6% of their covered salary (all or part may be paid by the employer) to the plan. The District was required to contribute 7.08% and 11.09% of covered salary to the Contributory and Noncontributory Systems, respectively. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District's contributions to the various Systems for the years ended June 30, 2006, 2005, and 2004, respectively, for the Contributory System were $27,003, $30,872, and $27,995, and for the Noncontributory System the contributions were $613,250, $561,560, and $463,398, respectively. The contributions were equal to the required contributions for each year.

Defined contribution money purchase pension plan - The District has a defined contribution retirement plan, in lieu of participation in the Social Security system, which is funded by contributions from the District and its employees. All permanent and full-time employees participate in the plan. The District contributed 15.3% of employees' salaries and wages during the years ended June 30, 2006 and 2005 for retirement contributions, insurance, medicare, and administration costs. The plan is administered for the District by Prudential Retirement. The District's contribution to this plan was $896,385 and $799,287 for the years ended June 30, 2006 and 2005, respectively.

Note 7 - Deferred compensation plans

The District offers its employees deferred compensation plans created in accordance with the Internal Revenue Code Sections 457 and 401(k) (the Plans). The Plans, administered by the Systems and available to all District employees, permits an employee to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency.

The employer contributions to the Plans for the years ended June 30, 2006 and 2005, respectively for the 457 plan were $78,326 and $74,992, and for the 401(k) plan the contributions were $38,447 and $40,895, respectively. The employee contributions to the Plans for the years ended June 30, 2006 and 2005, respectively for the 457 plan were $66,617 and $85,715, and for the 401(k) plan the contributions were $33,595 and $29,549, respectively.

The Plans are included in a publicly available financial report that includes financial statements and required supplementary information. A copy of the Systems' report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Note 8 - Commitments and contingent liabilities

The District has an informal agreement with Metropolitan Water District of Salt Lake and Sandy (Metropolitan) to purchase, if available, surplus water. The District did not have any water purchases for the years ended June 30, 2006 and 2005 under this agreement.

The District has an agreement (the Agreement) to purchase municipal and industrial water (Project Water) from Central Utah Water Conservancy District (CUWCD) developed under the Bonneville Unit of the Central Utah Project. Under the Agreement, the District will receive an average annual allotment of 50,000 acre-feet of Project Water, through eight individual block notices, at an estimated average price of $146.00 per acre-foot, excluding various facility operating and maintenance costs, until the water allotted to the District by CUWCD is paid in full. This is expected to occur between the years 2037 and 2047, according to the individual block notices. The price of Project Water after the repayment period has not yet been estimated.

For the years ended June 30, 2006 and 2005, 48,083 and 33,713 acre-feet of Project Water was delivered to the District, respectively. Under a separate contract, the District has returned 5,800 acre-feet of Project Water to CUWCD each year for Provo River fishery flows to assist in meeting CUWCD's conservation goal under Section 207 of the Central Utah Completion Act. This has reduced the District's repayment obligation for Project Water proportional to the amount returned to CUWCD.

The District executed an agreement with the Welby Jacob Water Users Company (the Company) in 1988, and an ammended agreement in 1991, to implement the Welby Jacob Exchange. Under the agreement, the District must provide 40,000 acre-feet of water, and pump the water to the Welby and Jacob canals. Under this amended agreement, the District provided to the Company 34,345 and 20,661 acre-feet during the years ended June 30, 2006 and 2005. Of these amounts, 9,824 and 14,161 acre-feet were pumped for the years ended June 30, 2006 and 2005, respectively. In return, the District received approximately 58,501 and 35,641 acre-feet for the years ended June 30, 2006 and 2005, respectively, of high quality Provo River water for use in its municipal system or used for irrigation.

The District and Metropolitan executed an operation and maintenance agreement with Central Utah Water Conservancy District (CUWCD) in 1993, which provides for CUWCD to convey title to the Jordan Valley Water Treatment Plant (JVWTP) and Terminal Reservoir without further consideration to the District and Metropolitan by special warranty deed upon Jordanelle Reservoir becoming operational (when the United States Bureau of Reclamations block notices total 50,000 acre-feet), or upon completion of the Terminal Reservoir expansion, whichever occurs later. Under the terms of the agreement, the District will own approximately 71.4% and Metropolitan will own 28.6% of the JVWTP and Terminal Reservoir. The conveyance of title to the JVWTP and Terminal Reservoir is expected to occur during the fiscal year 2007.

The agreement also provides for the operation and maintenance of the JVWTP and Terminal Reservoir by the District under the direction of the management committee, comprised of two members appointed by the District, two members appointed by Metropolitan, and one member appointed by CUWCD. Operation costs are apportioned on the basis of the acre-feet treated and stored for the District and for Metropolitan, and maintenance costs are apportioned 71.4% to the District and 28.6% to Metropolitan. Capital improvement costs will require approval of the District and Metropolitan, and if incurred, will be apportioned on the basis of benefits as determined by the management committee.

As of June 30, 2006, the District was involved in various lawsuits in the normal course of its operations. The District's management believes the outcome of these lawsuits will not have a material adverse effect on the District's financial statements.

Note 9 - Major customers or suppliers and related parties

Significant transactions and balances with major customers or suppliers and related parties with common directors or officers not otherwise disclosed are as follows:

For the years ended June 30	2006	2005
Accounts receivable:		
Granger-Hunter Improvement District	$ 1,020,502	$ 753,387
City of West Jordan	772,371	661,045
City of South Jordan	616,630	403,747
Kearns Improvement District	766,870	264,733
Taylorsville-Bennion Improvement District	187,505	112,224
Draper City	164,860	108,369
Metered sales of water:		
Granger-Hunter Improvement District	6,570,172	5,538,548
City of West Jordan	5,436,242	4,219,236
City of South Jordan	3,690,495	2,882,759
Kearns Improvement District	3,039,629	2,274,374
Taylorsville-Bennion Improvement District	1,489,143	1,482,466
Draper City	1,073,412	728,580
Water Pro, Inc.	142,726	453,176
Metropolitan Water District of Salt Lake and Sandy	262,938	178,033
Water purchase, treatment, and delivery:		
Central Utah Water Conservancy District	$ 6,689,668	$ 6,579,512

SUPPLEMENTAL SCHEDULES

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments

1992 Series Revenue Refunding Bond

Year Ending June 30	Balance at Beginning of Year	Interest Added	Debt Service Payments	Balance at End of Year
2007	$ 25,075,314	$ 1,567,756	$ 3,800,000	$ 22,843,070
2008	22,843,070	1,415,192	3,800,000	20,458,262
2009	20,458,262	1,250,990	3,800,000	17,909,252
2010	17,909,252	1,073,285	3,800,000	15,182,537
2011	15,182,537	880,477	3,800,000	12,263,014
2012	12,263,014	672,534	3,800,000	9,135,548
2013	9,135,548	449,780	3,800,000	5,785,328
2014	5,785,328	238,932	3,800,000	2,224,260
2015	2,224,260	110,966	1,175,000	1,160,226
2016	1,160,226	14,774	1,175,000	-
Total		$ 7,674,686	$ 32,750,000	

2000 Series Revenue Bond

Year Ending June 30	Debt Service Payments			Balance at End of Year
	Principal	Interest	Total	
2007	$ 555,000	$ 222,969	$ 777,969	$ 3,990,000
2008	585,000	194,038	779,038	3,405,000
2009	615,000	163,284	778,284	2,790,000
2010	645,000	130,677	775,677	2,145,000
2011	680,000	96,058	776,058	1,465,000
2012	715,000	59,260	774,260	750,000
2013	750,000	20,156	770,156	-
Total	$ 4,545,000	$ 886,442	$ 5,431,442	

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2001 Series Revenue Refunding Bond

Year Ending June 30	Debt Service Payments Principal	Interest	Total	Balance at End of Year
2007	$ 55,000	$ 802,836	$ 857,836	$ 15,890,000
2008	55,000	800,670	855,670	15,835,000
2009	60,000	798,340	858,340	15,775,000
2010	60,000	795,610	855,610	15,715,000
2011	65,000	792,713	857,713	15,650,000
2012	65,000	789,690	854,690	15,585,000
2013	70,000	786,315	856,315	15,515,000
2014	865,000	761,859	1,626,859	14,650,000
2015	910,000	715,265	1,625,265	13,740,000
2016	955,000	666,309	1,621,309	12,785,000
2017	1,005,000	616,618	1,621,618	11,780,000
2018	1,060,000	565,760	1,625,760	10,720,000
2019	1,115,000	511,093	1,626,093	9,605,000
2020	1,175,000	452,698	1,627,698	8,430,000
2021	1,235,000	391,243	1,626,243	7,195,000
2022	1,300,000	327,250	1,627,250	5,895,000
2023	1,365,000	260,625	1,625,625	4,530,000
2024	1,435,000	190,625	1,625,625	3,095,000
2025	1,510,000	117,000	1,627,000	1,585,000
2026	1,585,000	39,625	1,624,625	-
	$ 15,945,000	$ 11,182,144	$ 27,127,144	
Less: Deferred interest	(756,976)			
Total	$ 15,188,024			

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2002 A-5 Series Revenue Bond

Year Ending June 30	Debt Service Payments Principal	*Interest	Total	Balance at End of Year
2007	$ -	$ 528,950	$ 528,950	$ 14,900,000
2008	-	528,950	528,950	14,900,000
2009	-	528,950	528,950	14,900,000
2010	-	528,950	528,950	14,900,000
2011	-	528,950	528,950	14,900,000
2012	-	528,950	528,950	14,900,000
2013	-	528,950	528,950	14,900,000
2014	-	528,950	528,950	14,900,000
2015	-	528,950	528,950	14,900,000
2016	-	528,950	528,950	14,900,000
2017	-	528,950	528,950	14,900,000
2018	1,100,000	502,917	1,602,917	13,800,000
2019	1,200,000	461,500	1,661,500	12,600,000
2020	1,200,000	418,900	1,618,900	11,400,000
2021	1,200,000	376,300	1,576,300	10,200,000
2022	1,300,000	331,333	1,631,333	8,900,000
2023	1,300,000	285,183	1,585,183	7,600,000
2024	1,400,000	236,667	1,636,667	6,200,000
2025	1,500,000	184,600	1,684,600	4,700,000
2026	1,500,000	131,350	1,631,350	3,200,000
2027	1,600,000	75,733	1,675,733	1,600,000
2028	1,600,000	18,933	1,618,933	-
Total	$ 14,900,000	$ 8,841,866	$ 23,741,866	

* The A-5 series revenue bond has a variable interest rate. For purposes of this schedule an assumed rate of 3.55% per annum is used. Actual interest payments will vary from this schedule.

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2002C Series Revenue Bond

Year Ending June 30	Debt Service Payments Principal	Interest	Total	Balance at End of Year
2007	$ 435,000	$ 884,381	$ 1,319,381	$ 17,470,000
2008	445,000	868,956	1,313,956	17,025,000
2009	495,000	847,681	1,342,681	16,530,000
2010	485,000	823,181	1,308,181	16,045,000
2011	510,000	798,306	1,308,306	15,535,000
2012	540,000	772,056	1,312,056	14,995,000
2013	570,000	744,306	1,314,306	14,425,000
2014	605,000	714,175	1,319,175	13,820,000
2015	635,000	681,625	1,316,625	13,185,000
2016	670,000	647,369	1,317,369	12,515,000
2017	705,000	612,156	1,317,156	11,810,000
2018	740,000	576,031	1,316,031	11,070,000
2019	770,000	537,319	1,307,319	10,300,000
2020	820,000	497,806	1,317,806	9,480,000
2021	860,000	458,263	1,318,263	8,620,000
2022	900,000	416,081	1,316,081	7,720,000
2023	945,000	371,109	1,316,109	6,775,000
2024	990,000	323,944	1,313,944	5,785,000
2025	1,040,000	274,463	1,314,463	4,745,000
2026	1,095,000	220,369	1,315,369	3,650,000
2027	1,155,000	161,306	1,316,306	2,495,000
2028	1,215,000	99,094	1,314,094	1,280,000
2029	1,280,000	33,600	1,313,600	-
Total	$ 17,905,000	$ 12,363,577	$ 30,268,577	

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2005A Series Revenue Refunding Bond

Year Ending June 30	Debt Service Payments Principal	Interest	Total	Balance at End of Year
2007	$ 1,255,000	$ 1,138,869	$ 2,393,869	$ 24,675,000
2008	1,295,000	1,097,431	2,392,431	23,380,000
2009	1,340,000	1,054,612	2,394,612	22,040,000
2010	1,385,000	1,010,331	2,395,331	20,655,000
2011	1,435,000	962,713	2,397,713	19,220,000
2012	1,490,000	907,800	2,397,800	17,730,000
2013	1,560,000	839,000	2,399,000	16,170,000
2014	1,645,000	758,875	2,403,875	14,525,000
2015	1,730,000	674,500	2,404,500	12,795,000
2016	1,810,000	586,000	2,396,000	10,985,000
2017	1,900,000	493,250	2,393,250	9,085,000
2018	2,000,000	395,750	2,395,750	7,085,000
2019	3,130,000	267,500	3,397,500	3,955,000
2020	715,000	171,375	886,375	3,240,000
2021	750,000	134,750	884,750	2,490,000
2022	790,000	96,250	886,250	1,700,000
2023	830,000	57,825	887,825	870,000
2024	870,000	19,575	889,575	-
Total	$ 25,930,000	$ 10,666,406	$ 36,596,406	

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2005B Series Revenue Refunding Bond

Year Ending June 30	Debt Service Payments Principal	Interest	Total	Balance at End of Year
2007	$ -	$ 435,858	$ 435,858	$ 10,130,000
2008	-	435,858	435,858	10,130,000
2009	400,000	429,358	829,358	9,730,000
2010	500,000	414,108	914,108	9,230,000
2011	525,000	396,171	921,171	8,705,000
2012	555,000	375,603	930,603	8,150,000
2013	585,000	353,253	938,253	7,565,000
2014	610,000	330,359	940,359	6,955,000
2015	640,000	306,859	946,859	6,315,000
2016	665,000	281,984	946,984	5,650,000
2017	695,000	255,826	950,826	4,955,000
2018	730,000	224,718	954,718	4,225,000
2019	765,000	189,734	954,734	3,460,000
2020	800,000	153,000	953,000	2,660,000
2021	845,000	111,875	956,875	1,815,000
2022	885,000	68,625	953,625	930,000
2023	930,000	23,250	953,250	-
Total	$ 10,130,000	$ 4,786,439	$ 14,916,439	

Jordan Valley Water Conservancy District

Schedule of Revenue Bond Debt Service Payments (continued)

2005A-14 Series Revenue Refunding Bond

Year Ending June 30	Debt Service Payments Principal	*Interest	Total	Balance at End of Year
2007	$ -	$ 554,040	$ 554,040	$ 16,200,000
2008	-	554,040	554,040	16,200,000
2009	-	554,040	554,040	16,200,000
2010	-	554,040	554,040	16,200,000
2011	-	554,040	554,040	16,200,000
2012	-	554,040	554,040	16,200,000
2013	-	554,040	554,040	16,200,000
2014	-	554,040	554,040	16,200,000
2015	-	554,040	554,040	16,200,000
2016	-	554,040	554,040	16,200,000
2017	-	554,040	554,040	16,200,000
2018	-	554,040	554,040	16,200,000
2019	-	554,040	554,040	16,200,000
2020	-	554,040	554,040	16,200,000
2021	-	554,040	554,040	16,200,000
2022	-	554,040	554,040	16,200,000
2023	-	554,040	554,040	16,200,000
2024	1,000,000	536,940	1,536,940	15,200,000
2025	1,000,000	502,740	1,502,740	14,200,000
2026	1,100,000	466,830	1,566,830	13,100,000
2027	1,100,000	429,210	1,529,210	12,000,000
2028	1,200,000	389,880	1,589,880	10,800,000
2029	1,200,000	348,840	1,548,840	9,600,000
2030	1,200,000	307,800	1,507,800	8,400,000
2031	1,300,000	265,050	1,565,050	7,100,000
2032	1,300,000	220,590	1,520,590	5,800,000
2033	1,400,000	174,420	1,574,420	4,400,000
2034	1,400,000	126,540	1,526,540	3,000,000
2035	1,500,000	76,950	1,576,950	1,500,000
2036	1,500,000	25,650	1,525,650	-
Total	$ 16,200,000	$ 13,290,120	$ 29,490,120	

* The A-14 series revenue bond has a variable interest rate. For purposes of this schedule an assumed rate of 3.42% per annum is used. Actual interest payments will vary from this schedule.

Jordan Valley Water Conservancy District

Schedule of Promissory Note Debt Service Payments

North Point Water Right Promissory Note

Year Ending June 30	Debt Service Payments Principal	Interest	Total	Balance at End of Year
2007	$ 323,963	$ 71,562	$ 395,525	$ 1,074,772
2008	340,538	54,987	395,525	734,234
2009	357,960	37,565	395,525	376,274
2010	376,274	19,251	395,525	-
Total	$ 1,398,735	$ 183,365	$ 1,582,100	

Brighton Water Right Promissory Note

Year Ending June 30	Debt Service Payments Principal	Interest	Total	Balance at End of Year
2007	$ 198,469	$ 43,841	$ 242,310	$ 658,436
2008	208,623	33,687	242,310	449,813
2009	219,297	23,013	242,310	230,516
2010	230,516	11,794	242,310	-
Total	$ 856,905	$ 112,335	$ 969,240	

Jordan Valley Water Conservancy District

Schedule of Requirements of the Water Conservancy Revenue Bond Resolutions and U.S. Department of Commerce, Economic Development Administration (EDA)

1. A Schedule of the Insurance Policies in Force at June 30, 2006 is at page 34.

2. An analysis of all funds established by the Resolution is at page 35.

3. "Net Revenues" for fiscal year 2006 exceed 1.0 times the "Aggregate Debt Service" for 2006 and "Net Revenues" and amounts maintained in the Revenue Fund for debt service for 2006 exceed 1.25 times the "Aggregate Debt Service" for 2006, as those terms are defined in the Resolution. The District met the minimum requirements as described on page 36.

4. An analysis of water billings and metered customers for the fiscal year ended June 30, 2006 is as follows:

		Retail	Wholesale	Total
Average number of metered customers		8,365	18	8,383
Amount billed for water and water service	$	4,171,737	$24,030,031	$ 28,201,768
Average amount billed per customer	$	499	$ 1,335,002	
Average monthly amount billed per customer	$	42	$ 111,250	

There were no unmetered water customers during 2006. The gross volume of water sold for the fiscal year ended June 30, 2006 was 79,580 acre-feet. In accordance with the Resolution, wholesale sales of water excludes $262,938 of sales to Metropolitan Water District of Salt Lake and Sandy.

5. The rate schedule at June 30, 2006 for water sold by the District was as follows:

Wholesale customers	$226.50 to $364.28 (winter rates) and $283.13 to $442.71 (summer rates) per acre-foot based on cost of service to customer plus a flat rate charge of $10.00 per 1,000 gallons-per-minute of meter capacity per month.
Industrial customer	$249.70 (winter rate) and $308.03 (summer rate) per-acre foot based on cost of service to customer.
Retail customers	$1.03 (winter rate) and $1.29 (summer rate) per 1,000 gallons delivered plus a monthly meter base charge/flat fee based upon the size of the meter, ranging from $2.50 to $65.00.
Pumping surcharge	$0.16 per 1,000 gallons is added to the retail rate in areas of the District where pumping is required to deliver the water.

6. The District's Board of Trustees is composed of the following as of October 20, 2006:

Dale F. Gardiner	Chairman
Steven L. Taggart	Vice-Chair
Royce A. Gibson	Trustee - Chair of Finance Committee
B. Jeff Rasmussen	Trustee - Chair of Conservation Committee
W. Richard McDonald	Trustee
Margaret K. Peterson	Trustee
Lyle C. Summers	Trustee
Gary C. Swensen	Trustee

Other District officers are as follows:

David G. Ovard	CEO, General Manager, Secretary, Treasurer
David D. Martin	Controller, Assistant Secretary
Neil B. Cox	Assistant Treasurer

Jordan Valley Water Conservancy District

Schedule of Insurance Policies in Force

Description	Coverage
Commercial General Liability: American Alternative Insurance Corporation (expires July 1, 2007)	$1,000,000 each occurrence $3,000,000 aggregate limit with $100,000 self-insured retention
Public Officials and Employees Liability: American Alternative Insurance Corporation (expires July 1, 2007)	$1,000,000 each wrongful act $3,000,000 aggregate limit with $100,000 self-insured retention
Business Auto Liability: American Alternative Insurance Corporation (expires July 1, 2007)	$1,000,000 limit per accident with $100,000 self-insured retention
Excess Liability: American Alternative Insurance Corporation (expires July 1, 2007)	$10,000,000 each occurrence $10,000,000 aggregate limit
Combined Property Coverage: Affiliated FM Insurance Company (expires July 1, 2007)	$150,000,000 limit with $25,000 deductible
Earthquake and Flood: Affiliated FM Insurance Company (expires July 1, 2007)	$35,000,000 limit for earthquake and $10,000,000 limit for flood with $100,000 deductible
Boiler and Machinery: Affiliated FM Insurance Company (expires July 1, 2007)	$150,000,000 limit with $25,000 deductible
Workers Compensation Insurance: Workers Comp Fund of Utah (expires January 1, 2007)	$500,000 each accident $500,000 each employee $500,000 policy limit
Public Treasurer Bond: Travelers (expires July 1, 2007)	$1,500,000 each treasurer
District Self Insurance Fund:	$ 2,285,234

Schedule of Changes in Funds Established by the Water Conservancy Revenue Bond Resolutions (Cash Basis)

	Operations & Maintenance Fund	Revenue Fund	Capital Projects Fund (*)	Renewal and Replacement Fund	Principal and Interest Fund (**) 1992 Reserve	Principal and Interest Fund (**) 2005A Reserve	Total
Balance June 30, 2005:							
Cash and investments	$ 7,441,097	$ 6,438,382	$ 3,989,722	$ 123,393	$ 2,373,338	$ 2,185,934	$ 22,551,866
Additions:							
Reimbursements	-	-	3,198,175	-	-	-	3,198,175
Investment income	337,321	331,496	265,282	5,527	164,628	110,932	1,215,186
Receipt of property tax revenue	9,523,207	-	-	-	-	-	9,523,207
Revenue received from water sale	-	26,567,168	-	-	-	-	26,567,168
Other sources	-	884,681	-	-	-	-	884,681
Transfers from:							
Bond project fund	-	-	9,855,055	-	-	-	9,855,055
Revenue fund	12,700,000	-	2,275,796	-	-	-	14,975,796
Reserve account	-	360,997	-	-	-	-	360,997
Total additions	22,560,528	28,144,342	15,594,308	5,527	164,628	110,932	66,580,265
Deductions:							
Construction expenditures	-	-	14,090,693	-	-	-	14,090,693
Transfers to:							
Operations and maintenance fund	-	12,700,000	-	-	-	-	12,700,000
Capital project funds	-	2,275,796	-	-	-	-	2,275,796
Other capital funds	-	1,632,787	-	-	-	-	1,632,787
Self Insurance Fund	-	491,686	-	-	-	-	491,686
Revenue fund	-	-	-	-	164,628	196,369	360,997
Debt service	437,957	9,124,770	-	-	-	-	9,562,727
Operations and maintenance expenditures	21,847,228	-	-	-	-	-	21,847,228
Other expenditures	-	27,592	-	-	-	-	27,592
Total deductions	22,285,185	26,252,631	14,090,693	-	164,628	196,369	62,989,506
Balance June 30, 2006							
Cash and investments	$ 7,716,440	$ 8,330,093	$ 5,493,337	$ 128,920	$ 2,373,338	$ 2,100,497	$ 26,142,625

(*) The Capital Projects Fund was not required by bond resolutions, but was established by Board resolution.

(**) The investments are carried at amortized cost in accordance with the Board resolution. Fair value of investments held in the Principal and Interest Fund at June 30, 2006 are as follows: 1992 reserve of $2,342,964, and the 2005A reserve of $2,087,018.

Jordan Valley Water Conservancy District

Schedule of Net Revenues and Aggregate Debt Service

For the year ended June 30		2006		2005
Net revenues:				
Total operating revenues	$	28,682,559	$	23,539,333
Other revenues		12,510,395		10,754,684
		41,192,954		34,294,017
Less: operating expenses (excluding depreciation and amortization)		22,528,939		21,440,592
Net revenues	$	18,664,015	$	12,853,425
Aggregate debt service:				
Interest	$	5,929,506	$	4,755,773
Principal		3,672,398		3,329,067
Aggregate debt service	$	9,601,904	$	8,084,840
Net revenues divided by aggregate debt service		1.94		1.59
Minimum requirement		1.0		1.0
Net revenue	$	18,664,015	$	12,853,425
Amount maintained in revenue fund for debt service		2,434,121		1,956,490
Net revenue and amounts maintained for debt service	$	21,098,136	$	14,809,915
Aggregate debt service	$	9,601,904	$	8,084,840
Net revenues and amounts maintained for debt service divided by aggregate debt service		2.20		1.83
Minimum requirement		1.25		1.25

These debt-service requirements are defined in the bond covenants

Haynie &
Company

Certified Public Accountants (a professional corporation)
1785 West Printers Row Salt Lake City, Utah 84119 (801) 972-4800 FAX (801) 972-8941

REPORT ON LEGAL COMPLIANCE APPLICABLE TO UTAH STATE LAWS AND REGULATIONS

Board of Trustees
Jordan Valley Water Conservancy District

We have audited the financial statements of **Jordan Valley Water Conservancy District** (the District) for the year ended June 30, 2006 and have issued our report thereon dated October 20, 2006. Our audit included test work 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
Truth in Taxation and Property Tax Limitations
Other General Compliance Issues
Special Districts

The District did not receive any major or non-major State grants for the year ended June 30, 2006.

The management of the 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 generally accepted auditing standards in the United States of America and *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 material 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.

The results of our audit procedures disclosed no instances of noncompliance with the general requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

Haynie & Co.

Salt Lake City, Utah
October 20, 2006

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Jordan Valley Water Conservancy District

Schedule of Findings - Compliance - State of Utah

For the year ended June 30	2006

CURRENT YEAR FINDINGS

No current year findings

PRIOR YEAR FINDINGS

No prior year findings

Haynie &
Company

Certified Public Accountants (a professional corporation)
1785 West Printers Row Salt Lake City, Utah 84119 (801) 972-4800 FAX (801) 972-8941

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

Board of Trustees
Jordan Valley Water Conservancy District

We have audited the basic financial statements of **Jordan Valley Water Conservancy District** (the District) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by errors or fraud 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 financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards.*

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This report is intended solely for the information and use of the board of trustees, management, and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Haynie & Co.

Salt Lake City, Utah
October 20, 2006