MILLARD COUNTY SPECIAL SERVICE DISTRICT #8
A COMPONENT UNIT OF MILLARD COUNTY
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS
DECEMBER 31, 2006

MILLARD COUNTY SPECIAL SERVICE DISTRICT #8
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DECEMBER 31, 2006

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INDEPENDENT AUDITORS' REPORT

Millard County Special Service District #8
P.O. Box 917
Delta, UT

I have audited the accompanying financial statements of the governmental activities of Millard County Special Service District #8, a component unit of Millard County, (herein referred to as the "District"), as of and for the year ended December 31, 2006, which collectively comprise the Districts' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District, as of December 31, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Member of AICPA & UACPA

In accordance with *Government Auditing Standards*, I have also issued a report dated November 10, 2007, on my consideration of District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis and Budgetary Comparison information on pages 3 through 6 and page 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

Todd E. Holt CPA
Certified Public Accountant
November 10, 2007

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Millard County Special Service District #8 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2006.

Financial Highlights

- The revenues of the District increased by $ 246,184 over the previous year. This increase is due to an increase in funding by the Government. This increase allowed for an increase in expenditures over the previous year, allowing for improvements to roads and replacement of equipment, which can better serve the citizens of Millard County and those who utilize the roads within Millard County.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities presents information showing how the District'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 flows in future fiscal periods.

The governmental activities of the District are to maintain the roads within the unincorporated areas of Millard County where mining and mineral activities take place.

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 government units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statement

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial 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 exceed liabilities by $ 6,910 at the close of the most recent fiscal year. As the District gifts all capital assets purchased to Millard County the only assets at year end are cash and investments. The County uses these capital assets to maintain eligible roads within the District. The District had no outstanding debt as of December 31, 2006.

District's Net Assets

	2005	2006
Current Assets	$6,718	$ 193,322
Total Assets	6,718	193,322
Liabilities	-	21,000
Total Liabilities	-	21,000
Net Assets		
Unrestricted	6,718	173,322
Total Net Assets	$ 6,718	$ 173,322

At the end of the current fiscal year, the District is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year as well.

Governmental Activities

Increases in expenses, as discussed earlier were due to an increase in mineral lease revenue received.

District's Change in Net Assets

	2005	2006
General Revenues		
Mineral Lease	$ 725,622	$ 971,806
Interest	6,928	9,110
Total General Revenues	732,550	980,916
Governmental Activities Expenses:		
General Government	743,378	814,523
Change in Net Assets	(10,828)	166,393
Net Assets Beginning of Year (Restated)	17,546	9,894
Net Assets End of Year	$ 6,718	$173,322

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's reported ending fund balance of $ 173,322. Of this total amount, $ 173,322 constitutes unreserved fund balance, which is available for spending at the District's discretion.

Requests for Information

This financial report is designed to provide a general overview of the 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 the Millard County Special Service District #8, P.O. Box 917, Delta, Utah 84624.

MILLARD COUNTY SPECIAL SERVICE DISTRCT #8
Statement of Net Assets
December 31, 2006

	Primary Government Governmental Activities
Assets	
Cash and Cash Equivalents	$ 634
Investments	193,688
Total Assets	194,322
Liabilities	
Accrued Liabilities	21,000
Total Liabilities	21,000
Net Assets	
Unrestricted	173,322
Total Net Assets	$ 173,322

The Notes to the Financial Statements are an Integral Part of this Statement

MILLARD COUNTY SPECIAL SERVICE DISTRCT #8
Statement of Activities
For the Year Ended December 31, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
					Primary Government
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental Activities:					
General Government	$ 814,523	$ -	$ -	$ -	$ (814,523)
Total Primary Government	$ 814,523	$ -	$ -	$ -	(814,523)
		General Revenues			
		Mineral Lease			971,806
		Investment Earnings			9,110
		Total General Revenues and Transfers			980,916
		Change in Net Assets			166,393
		Net Assets Beginning of Year			6,929
		Net Assets End of Year			$ 173,322

The Notes to the Financial Statements are an Integral Part of this Statement.

MILLARD COUNTY SPECIAL SERVICE DISTRCT #8
Balance Sheet
Governmental Funds
December 31, 2006

		General
Assets		
Cash and Cash Equivalents	$	634
Investments		193,688
Total Assets	$	194,322
Liabilities		
Accrued Liabilities	$	21,000
Total Liabilities		21,000
Fund Balances		
Unreserved:		
Unreserved, Reported in:		
General Fund		173,322
Total Fund Balances		173,322
Total Liabilities and Fund Balances	$	194,322

The Notes to the Financial Statements are an Integral Part of this Statement.

MILLARD COUNTY SPECIAL SERVICE DISTRCT #8
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities
December 31, 2006

Total Governmental Funds Balances	$ 173,322
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	-
Net Assets of Governmental Activities	$ 173,322

The Notes to the Financial Statements are an Integral Part of this Statemen

MILLARD COUNTY SPECIAL SERVICE DISTRCT #8
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General
Revenues	
Mineral Lease	$ 971,806
Interest	9,110
Total Revenues	980,916
Expenditures	
General and Administrative	6,958
Road Repairs and Maintenance	144,711
Equipment Purchases	662,854
Total Expenditures	814,523
Excess (Deficiency) of Revenues Over (Under) Expenditures	166,393
Fund Balances (Deficits) Beginning of Year	6,929
Fund Balances (Deficits) End of Year	$ 173,322

The Notes to the Financial Statements are an Integral Part of this Statement.

MILLARD COUNTY SPECIAL SERVICE DISTRCT #8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006

Net Change in Fund Balances - Total Governmental Funds	$ 166,393
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	-
Change in Net Assets of Governmental Activities	$ 166,393

The Notes to the Financial Statements are an Integral Part of this Statement.

MILLARD COUNTY SPECIAL SERVICE DISTRCT #8
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
Mineral Lease	$ 755,000	$ 821,853	$ 971,806	$ 149,953
Interest	7,500	8,761	9,110	349
Total Revenues	762,500	830,614	980,916	150,302
Expenditures				
General and Administrative	7,734	6,958	6,958	-
Road Repairs and Maintenance	-	-	144,711	(144,711)
Equipment Purchases	761,330	786,566	662,854	123,712
Total General Government	769,064	793,524	814,523	(20,999)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,564)	37,090	166,393	129,303
Fund Balance Beginning of Year	6,929	6,929	6,929	-
Fund Balance End of Year	$ 365	$ 44,019	$ 173,322	$ 129,303

The Notes to the Financial Statements are an Integral Part of this Statement.

MILLARD COUNTY SPECIAL SERVICE DISTRICT #8
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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MILLARD COUNTY SPECIAL SERVICE DISTRICT #8
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended December 31, 2003, the District implemented the new financial reporting requirements of GASB Statement Nos. 33 and 34. As a result, an entirely new financial presentation format has been implemented.

1.A. FINANCIAL REPORTING ENTITY

The District was created on September 16, 1987, as a special service district by the Board of Millard County Commissioners pursuant to the terms and provisions of Title 11, Chapter 23, Utah Code Annotated, 1953, as amended on September 16, 1987. The primary purpose of the District is to maintain the roads within the unincorporated areas of Millard County where mining and mineral activities occur.

The District follows the definition criteria of GASB to establish its reporting entity. Oversight responsibility is the primary criteria used. Oversight responsibility includes, but is not limited to, financial interdependency, selection of the governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

There are no component units included in this report. The District is considered a component unit of Millard County.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:
The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no Business-type activities.

Fund Financial Statements:
Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity,

revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Major and Nonmajor Funds

The funds are further classified as major or non-major as follows:

Fund	Brief Description
Major:	
General	See above for description.
Nonmajor:	
None	

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting
In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments
For the purpose of the Statement of Net Assets, "Cash and Cash Equivalents" includes all demand, savings accounts, and certificates of deposits of the District.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 3.A.

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." A "qualified depository" is defined as any financial institution 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 Utah Money Management Act also defines 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.

Fixed Assets
The District purchases equipment for the maintenance of the roads within the District. Assets purchased are then gifted to Millard County. The County reports the equipment in its financial statements.

Equity Classifications

Government-wide Statements
Equity is classified as net assets and displayed in three components:

a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."
Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various state, and local laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows.

2.A. BUDGETARY BASIS OF ACCOUNTING

Budgetary procedures for the District have been established by Utah State. The basis of accounting applied to the budget is the same basis as the related financial statements.

Annual budgets are prepared and adopted in accordance with State law by the Board on or before December 31 for the following fiscal year beginning January 1. Budgets may be increased by resolution of the Board at any time during the year, provided a public hearing has been held regarding any proposed increase.

Under Utah Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits and investments for the local government are governed by the Utah Money Management Act (Utah Code, Section 51, Chapter 7, "the Act") and by the rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be returned to the District. The District's policy for managing custodial credit risk is to adhere to the Act. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution 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 was $634, and the bank balance was $634. Of the total bank balance, $634 was covered by federal depository insurance.

Investments

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 Act as previously discussed.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company. 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 us approximately equal to the value of the pool shares.

For the year ended December 31, 2006, the District had investments of $193,688 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates 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 Act and to invest mainly in the PTIF. The Act requires that the remaining tern to maturity of investments may not exceed the period of availability of the funds to be invested.

MILLARD COUNTY SPECIAL SERVICE DISTRICT #8
A COMPONENT UNIT OF MILLARD COUNTY
INDEPENDENT AUDITORS' REPORT IN
ACCORDANCE WITH *GOVERNMENT*
AUDITING STANDARDS
STATE COMPLIANCE REPORT
MANAGEMENT LETTER
DECEMBER 31, 2006

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GOVERNMENT AUDITING STANDARDS REPORT

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Millard County Special Service District #8
P.O. Box 917
Delta, UT 84624

I have audited accompanying financial statements of the governmental activities of Millard County Special Service District #8, component unit of Millard County, (herein referred to as the "District"), as of and for the year ended December 31, 2006, and have issued my report thereon dated November 10, 2007. I conducted my 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 my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one immaterial instance of noncompliance, related to the District being over budget.

This report is intended for the information and use of the District Board of Directors and various state funding and auditing agencies and is not intended to be and should not be used by anyone other than these specified parties.

Todd E. Holt, CPA
November 10, 2007

STATE COMPLIANCE REPORT

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

Millard County Special Service District #8
P.O. Box 917
Delta, UT 84624

I have audited the accompanying financial statements of the governmental activities of Millard County Special Service District #8, component unit of Millard County, as of and for the year ended December 31, 2006, and have issued my report thereon dated November 10, 2007. The District received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to test work as part of the audit of the Districts financial statements.)

Mineral Lease Distribution to County Special Service Districts

My audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah's Legal Compliance Audit Guide, including the following:

Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Compliance Issues

The District did not receive any major State grants during the year ended December 31, 2006.

The management of Millard County Special Service District #8 is responsible for the District's compliance with all requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United

States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed one immaterial instance of noncompliance, related to the District being over budget.

In my opinion, Millard County Special Service District #8 complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Todd E. Holt, CPA
November 10, 2007

CURRENT YEAR FINDINGS

FINDING

The expenditures of the District exceeded budgeted amounts. By State Law, officers and employees of the entity shall not incur expenditures or encumbrances in excess for the total appropriation for the department or fund.

RECOMMENDATION

The District should review expenditures throughout the year to ensure that the District stays within budgeted amounts and make adjustments to the budget if necessary.

STATUS

The District plans to watch the expenditure more closely in the future.

PRIOR YEAR FINDINGS

No prior year findings.