UINTAH HIGHLANDS IMPROVEMENT DISTRICT
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED DECEMBER 31, 2006

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

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Wood · Richards
AND ASSOCIATES P.C.

Royce J. Richards, J. D., CPA
Lynn J. Wood, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Uintah Highlands Improvement District

We have audited the accompanying financial statements of the business-type activities of Uintah Highlands Improvement District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Uintah Highlands Improvement District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Uintah Highlands Improvement District, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year 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 June 7, 2007, on our consideration of Uintah Highlands Improvement District's internal control over financial reporting and on our 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 considered in assessing the results of our audit.

CERTIFIED PUBLIC ACCOUNTANTS
2490 Wall Avenue Ogden, Utah 84401 Phone (801) 621-0440 Fax (801) 399-9264

Board of Trustees
Uintah Highlands Improvement District

The management's discussion and analysis on pages 3 through 5 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.

Wood Richards & Associates
Ogden, Utah
June 7, 2007

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDING DECEMBER 31, 2006

INTRODUCTION

The following is a discussion and analysis of Uintah Highlands Improvement District's financial performance and activities for the year ending December 31, 2006.

HIGHLIGHTS

Uintah Highlands Improvement District increased it's connections by seventeen during 2006. One of the new connections was commercial. Our infrastructrue increased by $1,354,928 for the work in progress on the million gallon reservoir that will be completed in 2007. The District acquired Revenue Bonds in the amount of $2,250,000 in 2006 for the purpose of building the million gallon reservoir and updating our monitoring system with SCADA.

During 2006 the District maintained a strong revenue base by collecting sufficient fees and taxes to cover expenses. Impact fees have been used to pay our revenue bonds and will be used for capital improvements when bonds are paid.

The District continues to comply with all requirements mandated by local, state, and federal governments. This includes monitoring and testing as well as conservation plans, protection plans, emergency plans, etc. The State Division of Drinking Water performs an audit or 'IPS' periodically and our system passed all requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The largest component of the District's net assets, 85.99%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 8.09% of total net assets and are subject to external restrictions on how they may be used. The remaining 5.92% of net assets is unrestricted and may be used at the District's discretion to meet its ongoing obligations to citizens and creditors.

Business-Type Activities

The business-type activities are summarized as follows:

	2006	2005
Assets		
Current and other assets	$ 484,081	$ 329,615
Restricted assets	1,698,561	213,201
Capital assets - net of depreciation	6,284,342	5,118,708
Total assets	8,466,984	5,661,524
Liabilities		
Current liabilities	854,545	190,338
Non-current liabilities	2,732,174	770,784
Total liabilities	3,586,719	961,122
Net Assets		
Invested in capital assets net of related debt	4,196,411	4,348,889
Restricted for debt retirement	395,093	213,201
Unrestricted	288,761	138,312
Total net assets	$ 4,880,265	$ 4,700,402

Changes in Net Assets

The Net Assets in the Enterprise Fund increased by $179,863.

	2006	2005
Revenues		
Operating revenue	$ 569,009	$ 554,386
Operating expenses	530,628	541,640
Operating income (loss)	38,381	12,746
Non-operating revenues	222,841	143,378
Non-operating expenses	(81,359)	(36,401)
Net income before capital contributions	179,863	119,723
Capital contributions	-	-
Change in net assets	179,863	119,723
Net assets - beginning	4,700,402	4,580,679
Net assets - ending	$ 4,880,265	$ 4,700,402

Capital Assets

Uintah Highlands Improvement District added $1,354,928 in new capital assets during the fiscal year, which was used for construction in progress of a new 1,000,000 gallon reservoir.

Long-Term Debt

The District currently owes $2,804,780 in sewer revenue bond obligations. The proceeds from the bonds were used to finance the District's construction of improvements to the sewer and water systems. $192,606 of the debt will be paid in the current year with $2,612,174 remaining in long-term debt. The District reduced long-term debt by $215,035 in the current year.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Uintah Highlands Improvement District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the District's finances should be addressed to Uintah Highlands Improvement District, 2401 East 6175 South, Ogden, Utah 84403.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

DECEMBER 31, 2006

	Business-Type Activities - Enterprise Funds
ASSETS	
Current assets:	
Cash and cash equivalents	$ 377,451
Accounts receivable	51,414
Accounts receivable - bond funds	307
Property tax receivable	3,024
Total current assets	432,196
Noncurrent assets:	
Restricted cash and cash equivalents	1,698,561
Fixed assets	9,310,397
Less: Accumulated depreciation	(3,026,055)
Bond issuance costs (net of amortization)	51,885
Total noncurrent assets	8,034,788
Total assets	8,466,984
LIABILITIES	
Current liabilities:	
Accounts payable	529,678
Other payables	67,356
Deferred revenue	64,905
Revenue bonds - current	192,606
Total current liabilities	854,545
Noncurrent liabilities:	
Other liabilities	120,000
Revenue bonds	2,612,174
Total noncurrent liabilities:	2,732,174
Total liabilities	3,586,719
NET ASSETS	
Invested in capital assets, net of related debt	4,196,411
Restricted-debt retirement	395,093
Unrestricted	288,761
Total net assets	$ 4,880,265

The accompanying notes are an integral part of these statements.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-Type Activities - Enterprise
OPERATING REVENUE	
Water sales	$ 267,961
Water connection fees	6,146
Sewer fees	283,648
Sewer connection fees	544
Other fees	10,710
Total operating revenue	569,009
OPERATING EXPENSES	
Depreciation	189,295
Salaries and wages	129,158
Sewage treatment	44,973
Insurance and surety bonds	33,317
Water purchased	31,338
Repairs and maintenance	31,942
Office expense	20,342
Pumping	13,023
Operating supplies	7,194
Payroll taxes	11,497
Professional fees	7,255
Travel and auto	4,161
Telemetering	5,768
Amortization	1,365
Total operating expenses	530,628
Operating income (loss)	38,381
NONOPERATING REVENUE (EXPENSES)	
Property taxes	53,906
Fees-in-lieu of taxes	6,821
Interest income	90,477
Water impact fees	44,637
Sewer impact fees	27,000
Interest expense and bond fees	(81,359)
Total nonoperating revenue (expenses)	141,482
Net income (loss) before contributions	179,863
Capital contributions	-
Change in net assets	179,863
Net assets - beginning	4,700,402
Net assets - ending	$ 4,880,265

The accompanying notes are an integral part of these statements.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-Type Activities - Enterprise
Cash Flows From Operating Activities	
Receipts from customers	$ 562,775
Payments to suppliers	(210,983)
Payments to employees	(129,158)
Net cash provided (used) by operating activities	222,634
Cash Flows From Noncapital Financing Activities	
Receipts from property taxes	63,764
Net cash provided (used) by noncapital financing activities	63,764
Cash Flows From Capital and Related Financing Activities	
Bond issuance fees	(53,250)
Impact fees	71,637
Principal paid on capital debt	(215,040)
Interest paid on capital debt	(81,359)
Purchases of capital assets	(768,308)
Proceeds of capital debt	2,250,000
Net cash provided (used) by capital and related financing activities	1,203,680
Cash Flows From Investing Activities	
Interest and dividends received	90,477
Net cash provided (used) by investing activities	90,477
Net increase (decrease) in cash and cash equivalents	1,580,555
Cash and cash equivalents - beginning	495,457
Cash and cash equivalents - ending	$ 2,076,012

The accompanying notes are an integral part of these statements.

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-Type Activities - Enterprise
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	$ 38,381
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense and amortization	190,660
(Increase) decrease in accounts receivable	(6,234)
Increase (decrease) in accounts payable	(173)
Net cash provided (used) by operating activities	$ 222,634

Noncash Capital Financing Activities:

Capital assets of $-0- were acquired through contributions from developers.

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The Uintah Highlands Improvement District is a special district organized on November 3, 1966, by the Weber County Commission for the purpose of providing primary and secondary water, sewer and storm drain operations. The District operates under a Board of Trustees form of government.

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

The District has no component units.

B. Fund Financial Statements

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

The District reports the following major proprietary fund:

Enterprise Fund The fund is used to account for primary and secondary water, sewer, and storm drain operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Measurement Focus and Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

Pooled Cash and Temporary Investments

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

Inventories

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

Restricted Assets

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

Capital Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets (Continued)

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

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

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

Long-term Obligations

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities.

Net Assets/Fund Balances

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

Invested in capital assets, net of related debt - This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amount are not included as a component of invested in capital assets, net of related debt.

Restricted for debt retirement - This component of net assets consists of that portion of the net assets that is restricted for retirement of debt.

Unrestricted - This component of net assets consists of net assets that do not meet the definition of "restricted" of "invested in capital assets, net of related debt".

E. Revenues and Expenditures

The following are the District's significant policies related to recognition and reporting of certain revenues, and expenditures.

Revenue Availability

Statement of Governmental Accounting Standards (SGAS) No. 33, Accounting and Financial Reporting for Non-exchange Transactions, defines a non-exchange transaction as one in which "a government either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange." For property taxes, at January 1 of each year (the assessment date), the District has the legal right to collect the taxes, and in accordance with the provisions of the new statement, has now recorded a receivable and a corresponding deferred revenue for the assessed amount of those property taxes as of January 1, 2006.

Expenditure Recognition

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Contributions

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

G. Compensated Absences

District policy provides for vested or accumulated vacation leave. The liability for compensated absences is not reflected on these financial statements because it is not a material amount.

H. Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

Cash deposits are reported at carrying amount which reasonably estimates fair value. At the year end, the carrying amount of the District's deposits was $62,571 and the bank balance was $241,195. Of the bank balance $152,602 was fully covered by federal depository insurance.

B. Investments

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

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	$ 527,780	$ 527,784

C. Summary

	Carrying Amount
Petty cash	$ 300
Deposits	1,547,932
Investment in Utah Public Treasurer's Investment Fund	527,780
Total deposits and investments	$ 2,076,012
Equity in pooled cash and investments	$ 377,451
Restricted cash - Bond reserves	1,698,561
Total deposits and investments	$ 2,076,012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at December 31, 2006, were $241,195, of which $152,602 was insured under federal depository insurance.

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

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

For the year ended December 31, 2006, the District had investments of $527,780 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

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

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

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2006, was as follows:

BUSINESS-TYPE ACTIVITIES	Balance December 31, 2005	Additions	(Deletions)	Balance December 31, 2006
Nondepreciated Assets				
Water spring rights	$ 100,000	$ -	$ -	$ 100,000
Land	62,124	-	-	62,124
Construction in progress	16,732	1,354,928	-	1,371,660
Total nondepreciated assets	178,856	1,354,928	-	1,533,784
Depreciated Assets				
Buildings	157,148		-	157,148
Secondary water	17,076	-	-	17,076
Water storage	702,280	-	-	702,280
Water system	2,648,180	-	-	2,648,180
Springs and collection	226,979	-	-	226,979
Sewer system	3,704,431	-		3,704,431
Wells and appurtenances	213,595	-	-	213,595
Shop equipment	30,515	-	-	30,515
Vehicles	32,840	-	-	32,840
Office equipment	51,159	-	(7,589)	43,570
Total depreciated assets	7,784,203	-	(7,589)	7,776,614
Less accumulated depreciation				
Buildings	(49,762)	(6,306)	-	(56,068)
Secondary water	(7,972)	(661)	-	(8,633)
Water storage	(228,866)	(16,986)	-	(245,852)
Water system	(949,518)	(70,152)	-	(1,019,670)
Springs and collection	(143,417)	(4,564)	-	(147,981)
Sewer system	(1,290,000)	(77,865)	-	(1,367,865)
Wells and appurtenances	(98,868)	(5,428)	-	(104,296)
Shop equipment	(21,552)	(2,499)	-	(24,051)
Vehicles	(8,701)	(3,134)	-	(11,835)
Office equipment	(45,695)	(1,699)	7,589	(39,805)
Total accumulated depreciation	(2,844,351)	(189,294)	7,589	(3,026,056)
Net assets depreciated	4,939,852	(189,294)	-	4,750,558
Business type activities - net	$ 5,118,708	$ 1,165,634	$ -	$ 6,284,342

Depreciation Expense

December 31, 2006	$ 189,295

NOTE 4 - LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2006, was as follows:

Description	Interest Rate	Outstanding 12/31/2005	Additions (Reductions)	Outstanding 12/31/2006	Current Portion
$2,475,000 Sewer Revenue Bond Series December 12, 1986	3.0%	$ 769,819	$ (119,035)	$ 650,784	$ 122,606
$2,000,000 Water Revenue Bond Series 2006 A	4.696%	-	2,000,000		
			(96,000)	1,904,000	66,000
$250,000 Water Revenue Bond Series 2006 B	5.572%	-	250,000	250,000	4,000
Total Long Term Debt		$ 769,819	$ 2,034,965	$ 2,804,784	$ 192,606

The District's long-term bonds payable at December 31, 2006 consist of the following:

Sewer Revenue Bonds Payable

Annual requirements to amortize the long-term bond debts as of December 31, 2006 are as follows:

Fiscal Year Ended December 31,	Sewer Revenue Bond Series December 12, 1986 Principal	Interest
2007	*	*
2008	122,606	19,528
2009	126,284	15,850
2010	130,073	12,061
2011	133,975	8,159
2012	137,846	4,140
	$ 650,784	$ 59,738

* The January 1, 2007 payment was made December 13, 2006.

Water Revenue Bonds Payable

Bond Resolution

On April 25, 2006, Uintah Highlands Improvement District passed a resolution authorizing the issuance and confirming the sale of (1) $2,000,000 Water Revenue Bonds, Series 2006A, and on September 5, 2006 authorizing the issuance and confirming the sale of (2) $250,000 Water Revenue Bonds, Series 2006B, for the purpose of defraying a portion of the cost of constructing water system improvements and related improvements, prescribing the form of bonds, the terms and conditions of issuance and retirement and security therefore, providing for the collections, handling and disposition of the revenues to be derived from the District's water system, authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by this bon resolution, and related matters.

NOTE 4 - LONG -TERM DEBT (CONTINUED)

Annual requirements to amortize the long-term bond debts as of December 31, 2006 are as follows:

Fiscal Year Ended December 31,	Water Revenue Bond Series 2006A Principal	Interest
2007	$ 66,000	$ 87,395
2008	69,000	84,755
2009	72,000	81,947
2010	75,000	78,995
2011	78,000	75,897
2012	81,000	72,613
2013	85,000	69,130
2014	88,000	65,407
2015	92,000	61,491
2016	97,000	57,351
2017	101,000	52,938
2018	106,000	48,292
2019	110,000	43,310
2020	116,000	38,096
2021	121,000	32,551
2022	127,000	26,731
2023	133,000	20,584
2024	140,000	14,107
2025	147,000	7,248
	1,904,000	1,018,838

Fiscal Year Ended December 31,	Water Revenue Bond Series 2006B Principal	Interest
2007	$ 4,000	$ 16,868
2008	8,000	13,519
2009	9,000	13,123
2010	9,000	12,672
2011	10,000	12,218
2012	10,000	11,707
2013	11,000	11,190
2014	11,000	10,612
2015	12,000	10,028
2016	13,000	9,381
2017	13,000	8,671
2018	14,000	7,955
2019	15,000	7,177
2020	16,000	6,337
2021	17,000	5,433
2022	18,000	4,470
2023	19,000	3,444
2024	20,000	2,358
2025	21,000	1,210
	250,000	168,191

NOTE 5 - OTHER LIABILITIES

Uintah Highlands entered into an agreement with South Ogden City to pay for the transmission of sewage through the South Ogden system. The wheeling charge will accrue at $6,000 per year without interest to a maximum of $120,000. The wheeling charge began accruing upon completion of the sewage system during 1988 and the payment is deferred for twenty years or until the sewer revenue bonds are paid in full. In the event the District is annexed to South Ogden the wheeling charge must be paid in full.

NOTE 6 - BOND RESERVES

The Uintah Highlands Improvement District has carried out the requirements of bond resolutions. Uintah Highlands Improvement District has established the funds required by the bond resolution.

The Series 1986 Sewer Revenue Bonds issuance provides for the establishment of the following reserves:

1) On or before the 10th day of each month, the District is required to reserve one-twelfth (1/12) of the principal and interest falling due on the next succeeding January 1st in a Bond Sinking Fund account. As the bond's principal and interest payment for January 1, 2007 was made on December 13, 2006, the balance in this account at December 31, 2006, was $0.

2) The District is required to reserve $1,974 monthly plus such additional amount as may be required to meet any monthly installments until such time as the aggregate reserve equals $142,134. This Bond Reserve account shall be used to make principal and interest payments should there not be sufficient money in the Bond Sinking Fund account. The balance in this account at December 31, 2006, was $142,134.

3) The District is required to reserve $987 monthly until such time as the aggregate reserve equals $71,067, to provide for the continued operation and maintenance of the sewer system in an Emergency Operations and Maintenance account. The balance in this account at December 31, 2006, was $71,067.

Total bond reserve balances at December 31, 2006, was $213,201.

The Series 2006A Water Revenue Bonds issuance provides for the establishment of the following reserves:

1) The Bond Fund is required to accumulate debt service payments over the next twelve months. The principal and interest payment of $154,264 due and payable December 15, 2006, was made in accordance with the bond resolution; therefore, the balance in the reserve account at December 31, 2006, was $0.

2) The Debt Service Reserve fund requirement shall be $154,351. This reserve is fully funded and the balance in the reserve account at December 31, 2006, was $159,212.

The Series 2006B Water Revenue Bonds issuance provides for the establishment of the following reserves:

1) The Bond Fund will be established January 1, 2007, to accumulate debt service payments over the next twelve months. Therefore, the balance in the reserve account at December 31, 2006, was $0.

2) The Debt Service Reserve fund requirement shall be $22,470. This reserve is fully funded and the balance in the reserve account at December 31, 2006, was $22,679.

NOTE 7 - RISK MANAGEMENT

Uintah Highlands Improvement District is exposed to various risks of loss related to torts; theft of , damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property, bond (employee dishonesty), treasurer, public official and officers, excess liability, and workman's compensation. As of December 31, 2006, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years

NOTE 8 - LEGAL COMPLIANCE BUDGETS

The budget for the fiscal year ending December 31, 2006, was approved and adopted by resolution or ordinance dated December 15, 2005. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 15, 2005. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the enterprise fund. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not used by the District.

NOTE 9 - POST-EMPLOYMENT BENEFITS

The district does not provide any post employment benefits at the present time.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEM

The District does not participate in or maintain any retirement plans for its employees.

NOTE 11- INTEREST EXPENSE

The proprietary fund incurred $81,359 in interest expense of which $81,359 was charged to expense and $-0- was capitalized.

NOTE 12 - PROPERTY TAX CALENDAR

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

OTHER SUPPLEMENTARY INFORMATION

UINTAH HIGHLANDS IMPROVEMENT DISTRICT

SCHEDULE OF IMPACT FEES
DECEMBER 31,2006

Year	Water Impact Fees Collected	Sewer Impact Fees Collected	Project	Amount Expended	Reserve Balance
2006	$44,637	$27,000	Debt retirement	$71,637	$ -

AUDITORS' REPORTS

Wood · Richards
AND ASSOCIATES P.C.

Royce J. Richards, J. D., CPA
Lynn J. Wood, CPA

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

To the Board of Trustees
Uintah Highlands Improvement District

We have audited the accompanying financial statements of the business-type activities of Uintah Highlands Improvement District, for the year ended December 31, 2006 and have issued our report thereon dated June 7, 2007. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Truth in Taxation & Property Tax Limitations
Cash Management	Purchasing Requirements
Budgetary Compliance	Other General Compliance Issues
Impact Fees	General Compliance Special Districts

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 requirements referred to above.

In our opinion, Uintah Highlands Improvement District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Wood Richards & Associates
June 7, 2007

CERTIFIED PUBLIC ACCOUNTANTS
2490 Wall Avenue Ogden, Utah 84401 Phone (801) 621-0440 Fax (801) 399-9264

Wood · Richards
AND ASSOCIATES P.C.

Royce J. Richards, J. D., CPA
Lynn J. Wood, CPA

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*

To the Board of Trustees
Uintah Highlands Improvement District

We have audited the financial statements of Uintah Highlands Improvement District of and for the year ended December 31, 2006, and have issued our report thereon dated June 7, 2007. 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 Uintah Highlands Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Uintah Highlands Improvement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Uintah Highlands Improvement District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

CERTIFIED PUBLIC ACCOUNTANTS
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Uintah Highlands Improvement 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.*

This report is intended solely for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates
Ogden, UT
June 7, 2007

UINTAH HIGHLANDS IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 2006

Finding #1: Through an evaluation of the internal controls over financial reporting it was determined that a control deficiency exists within the control policies and procedures of Uintah Highlands Improvement District. This control deficiency is deemed to be a significant deficiency. The deficiency is caused by a lack of separation of duties and/or lack of monitoring in the purchasing and accounts payable as the same individual who prepares the checks and inputs the invoices also prepares the bank reconciliation. The bank statements and cancelled checks are not reviewed.

Recommendation: We recommend the District assign another individual to open the bank statement and review the statement along with the cancelled checks and sign off on the statement every month.

We also recommend the check signer(s) always verify the numerical sequence of the checks presented to them to sign. Inquiries should be made of any missing checks. Voided checks should be presented to the signers.

Response: Management agrees with the recommendation and will take necessary action to eliminate this deficiency in the control system.