WEST WARREN – WARREN WATER IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2006

WEST WARREN – WARREN WATER IMPROVEMENT DISTRICT

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We have compiled the accompanying statement of net assets of West Warren – Warren Water Improvement District as of December 31, 2006, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

Wood Richards & Associates

June 26, 2007

CERTIFIED PUBLIC ACCOUNTANTS
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WEST WARREN - WARREN WATER IMPROVEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDING DECEMBER 31, 2006

INTRODUCTION

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

HIGHLIGHTS

During 2006 the District maintained a strong revenue base by collecting more service charges and taxes than the cost of operations. All impact fees continue to be used for capital improvements needed to support the continued growth.

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

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, 58.3%, 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 19.7% of total net assets and are subject to external restrictions on how they may be used. The remaining 22.0% 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	$ 296,728	$ 241,275
Restricted assets	266,407	266,407
Capital assets - net of depreciation	786,276	780,340
Total assets	1,349,411	1,288,022
Liabilities		
Current liabilities	777	707
Non-current liabilities	-	-
Total liabilities	777	707
Net Assets		
Invested in capital assets net of related debt	786,276	780,340
Restricted for construction	266,407	266,407
Unrestricted	295,951	240,568
Total net assets	$ 1,348,634	$ 1,287,315

Changes in Net Assets

The Net Assets in the Enterprise Fund increased by $61,319.

	2006	2005
Revenues		
Operating revenue	$ 124,635	$ 117,351
Operating expenses	113,863	104,186
Operating income (loss)	10,772	13,165
Non-operating revenues	50,547	39,023
Non-operating expenses	-	-
Net income before capital contributions	61,319	52,188
Capital contributions	-	3,375
Change in net assets	61,319	55,563
Net assets - beginning	1,287,315	1,231,752
Net assets - ending	$ 1,348,634	$ 1,287,315

Capital Assets

West Warren - Warren Water Improvement District added $29,383 in new capital assets during the fiscal year.

Long-Term Debt

The District currently owes no long-term debt.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of West Warren - Warren Water 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 West Warren - Warren Water Improvement District, 5783 West 950 North, Ogden, Utah 84404.

WEST WARREN-WARREN WATER IMPROVEMENT DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

DECEMBER 31, 2006

	Business-Type Activities - Enterprise Funds
	Water
ASSETS	
Current assets:	
Cash and cash equivalents	$ 227,532
Accounts receivable	10,522
Property tax receivable	206
Prepaid expenses	53,741
Inventory	4,727
Total current assets	296,728
Noncurrent assets:	
Restricted cash and cash equivalents	266,407
Fixed assets	1,238,659
Less: Accumulated depreciation	(452,383)
Total noncurrent assets	1,052,683
Total assets	1,349,411
LIABILITIES	
Current liabilities:	
Accounts payable	777
Total current liabilities	777
NET ASSETS	
Invested in capital assets, net of related debt	786,276
Restricted-construction	266,407
Unrestricted	295,951
Total net assets	$ 1,348,634

The accompanying notes are an integral part of these statements.

WEST WARREN-WARREN WATER IMPROVEMENT DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 2006

	Water
OPERATING REVENUE	
Water service charges	$ 113,885
Connection fees	10,750
Total operating revenue	124,635
OPERATING EXPENSES	
Source of water supply	53,200
Depreciation	23,447
Professional services	4,465
System repairs and maintenance	11,091
Fees - Board of Trustees	7,200
Salaries and wages	6,046
Office supplies and expense	3,733
Insurance and surety bonds	2,589
Miscellaneous	1,609
Payroll taxes	483
Total operating expenses	113,863
Operating income (loss)	10,772
NONOPERATING REVENUE (EXPENSES)	
General property taxes	14,812
Other fees	2,921
Impact fees	9,500
Interest income	23,314
Total nonoperating revenue (expenses)	50,547
Net income (loss) before contributions	61,319
Capital contributions	-
Change in net assets	61,319
Net assets - beginning	1,287,315
Net assets - ending	$ 1,348,634

The accompanying notes are an integral part of these statements.

WEST WARREN-WARREN WATER IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Water
Cash Flows From Operating Activities	
Receipts from customers	$ 123,079
Payments to suppliers	(84,240)
Payments to employees	(6,000)
Net cash provided (used) by operating activities	32,839
Cash Flows From Noncapital Financing Activities	
Receipts from property taxes	17,976
Net cash provided (used) by noncapital financing activities	17,976
Cash Flows From Capital and Related Financing Activities	
Contributed capital	-
Impact fees	9,500
Other fees	-
Purchases of capital assets	(29,383)
Net cash provided (used) by capital and related financing activities	(19,883)
Cash Flows From Investing Activities	
Interest and dividends received	23,314
Net cash provided (used) by investing activities	23,314
Net increase (decrease) in cash and cash equivalents	54,246
Cash and cash equivalents - beginning	439,693
Cash and cash equivalents - ending	$ 493,939

The accompanying notes are an integral part of these statements.

WEST WARREN-WARREN WATER IMPROVEMENT DISTRICT

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Water
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	$ 10,772
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	23,447
(Increase) decrease in prepaid expense	106
(Increase) decrease in inventory	-
(Increase) decrease in accounts receivable	(1,556)
Increase (decrease) in accounts payable	70
Net cash provided (used) by operating activities	$ 32,839

Noncash Capital Financing Activities:

None

The accompanying notes are an integral part of these statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Warren - Warren Water 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 West Warren - Warren Water Improvement District was organized in 1980 by the Weber County Commission for the purpose of construction of a culinary water distribution system for unincorporated areas of West Warren and Warren. The District has a contract with the Weber Basin Water District for the source of water. Construction on the water distribution system was completed during February 1984. The system was placed in service and the District began charging residents for water usage at that time. The District operates under a Board of Trustees form of government.

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

The District has no component units.

B. Fund Financial Statements

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

The District reports the following major proprietary fund:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

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

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

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

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

Pooled Cash and Temporary Investments

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

Inventories

Inventories are maintained by the District on a cost basis, and consist of pipe and other supplies.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

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

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

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

Long-term Obligations

In the proprietary fund financial statements, long-term debt obligations are reported as liabilities. As of December 31, 2006, there were no long-term 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 amounts are not included as a component of invested in capital assets, net of related debt.
* *Restricted for construction* - This component of net assets consists of that portion of the net assets that is restricted for capital improvement expenditures.
* *Unrestricted* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

F. Contributions

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

G. Compensated Absences

District policy does not provide for vested or accumulated vacation leave.

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.

I. Receivables

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The District's deposits are carried at cost.

At December 31, 2006, the carrying amount of the District's deposits was $31,652 and the bank balance was $31,652. Of the bank balance, $31,652 was 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	$ 462,287	$ 462,290

C. Summary

	Carrying Amount
Deposits	$ 31,652
Investment in Utah Public Treasurer's Investment Fund	462,287
Total deposits and investments	$ 493,939
Equity in pooled cash and investments	$ 227,532
Restricted cash - construction	266,407
Total deposits and investments	$ 493,939

Deposit and Investment Risk Disclosure. Deposits and investments for West Warren-Warren Water 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 $31,652, of which $31,652 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 local government had investments of $462,287 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 it 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				
Land	$ 56,299	$ -	$ -	$ 56,299
Total nondepreciated assets	56,299	-	-	56,299
Depreciated Assets				
Impact fee construction	51,905	23,150	-	75,055
Water distribution system	1,088,374	6,233	-	1,094,607
Office furniture and equipment	12,698	-	-	12,698
Total depreciated assets	1,152,977	29,383	-	1,182,360
Less accumulated depreciation				
Water distribution system	(418,344)	(23,091)	-	(441,435)
Office furniture and equipment	(10,592)	(356)	-	(10,948)
Total	(428,936)	(23,447)	-	(452,383)
Net assets depreciated	724,041	5,936	-	729,977
Business type activities - net	$ 780,340	$ 5,936	$ -	$ 786,276

Depreciation Expense

	Business Type
December 31, 2006	$ 23,447

NOTE 4 - RISK MANAGEMENT

West Warren-Warren Water 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 officials 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 5 - LEGAL COMPLIANCE BUDGETS

The budget for the year ending December 31, 2006, was approved and adopted by resolution or ordinance dated December 6, 2005. A public hearing, meeting the requirements specified in the Utah Code 11-35-113/114, was held on December 6, 2005. The budget was amended during the year. 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 6 - POST-EMPLOYMENT BENEFITS

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

NOTE 7 - EMPLOYEE RETIREMENT SYSTEM

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

NOTE 8 - 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

WEST WARREN-WARREN WATER IMPROVEMENT DISTRICT

SCHEDULE OF IMPACT FEES

DECEMBER 31, 2006

Year	Project	Water Impact Fees Collected	Amount Expended	Impact Fee Reserve (Deficit) Balance
Balance forward at December 31, 2004				$ (11,415)
2005	Water debt payments and system improvements	$ 7,000	$ -	$ (4,415)
2006	Water debt payments and system improvements	$ 9,500	$ (23,151)	$ (18,066)