GRAND COUNTY WATER CONSERVANCY DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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STATE AUDITOR

GRAND COUNTY WATER CONSERVANCY DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grand County Water Conservancy District
Moab, Utah 84532

We have audited the accompanying financial statements of the governmental activities of Grand County Water Conservancy District, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand County Water Conservancy District's management. Our responsibility is to express an opinion on these basic 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Grand County Water Conservancy District, as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Budgetary Comparison information, as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with Governmental Auditing Standards, we have also issued a report dated February 27, 2009 on our consideration of Grand County Water Conservancy District's internal control over financial reporting and 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Grand County Water Conservancy District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

February 27, 2009

GRAND COUNTY WATER CONSERVANCY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Our discussion and analysis of the Grand County Water Conservancy District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2008. The report is in conjunction with the District's financial statements, which are a part of this report.

The purpose of the District is to provide water, both culinary and irrigation, to its customers. The revenues and the expenses for this water service are managed by Grand Water & Sewer Service Agency (GW&SSA). GW&SSA was put in place January 1, 1999 as an inter-local agency to manage the administration, maintenance and operation of our three Districts. The other two districts are: Grand County Special Service Water District and Spanish Valley Water & Sewer Improvement District.

FINANCIAL HIGHLIGHTS

- Capital assets decreased $44,561 during 2008.
- During the year, the District retired $130,874 of bond debt.
- The District's net assets increased $73,608 as a result of this year's operations. This is a 4.5 percent increase in net assets as compared to the prior year.
- During the year, the District received a $75,000 operating transfer from Grand Water & Sewer Service Agency (GW&SSA) for 2008 revenue bond payment.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and13) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund Financial Statements start on page 14. These statements tell how these services were financed in the short term as well as what remains for future spending.

REPORTING THE DISTRICT AS A WHOLE

The District realizes revenue from three main sources; property taxes, operating transfer from GW&SSA, and interest earnings. These funds are used to pay the principal and interest on their outstanding debt and for operating and maintaining the Mill Creek Project through GW&SSA.

The analysis of the District as a whole begins on page 12. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps determine the District's financial picture as a result of this year's activities.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are an indicator of the financial position of the District. Other non-financial factors, such as changes in the District's property tax base and the condition of the District's Mill Creek Project, need to be considered to assess the health of the District.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUND

All of the District's services are reported in one governmental fund. Reporting focuses on how money flows into and out of this fund and the balance left at year-end that is available for spending. The fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine financial resources available to be spent in the future to finance the District's programs. The District has one fund, the General Fund.

Most of the District's funding is provided through property taxes and an operating transfer from Grand Water & Sewer Service Agency (GW&SSA). The District Board determined several years ago that since most of the revenue is generated in property taxes, the proper fund classification for the District was governmental funds rather than proprietary funds, according to accounting standards.

THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

THE DISTRICT AS A WHOLE

The net assets of the District were increased by $73,608. The following analysis focuses on the net assets (table 1) and changes in net assets (table 2 & 3) of the District's governmental activities.

Net assets of the District are $1,725,270. The Unrestricted Net Assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is $41,066.

The District's increase of $73,608 in net assets indicates that the District is in a better financial position than the previous year.

THE DISTRICT AS A WHOLE (Continued)

Table 1
Net Assets

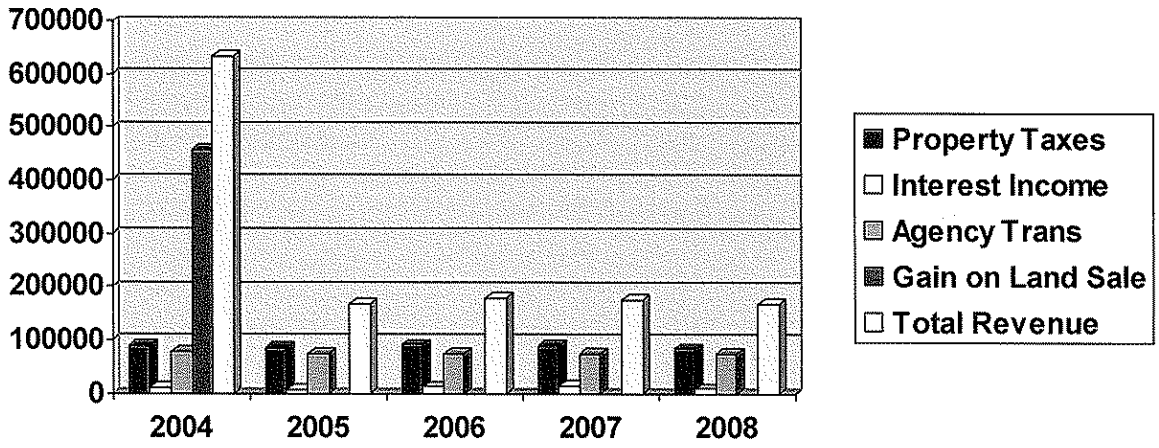
	2004	2005	2006	2007	2008	2007-2008 Net Changes
Assets:						
Current/noncurrent assets	$ 378,195	$ 379,265	$ 389,414	$ 377,411	$ 363,326	(14,085)
Capital assets, net	3,245,951	3,194,007	3,142,063	3,111,733	3,067,172	(44,561)
Total assets	$ 3,624,146	$ 3,573,272	$ 3,531,477	$ 3,489,144	$ 3,430,498	(58,646)
Liabilities:						
Current Liabilities			$ 145,705	$ 144,531	$ 146,828	2,297
Long-term debt outstanding	$ 2,186,478	$ 2,079,518	1,820,824	1,692,951	1,558,400	(134,551)
Total liabilities	$ 2,186,478	$ 2,079,518	$ 1,966,529	$ 1,837,482	$ 1,705,228	(132,254)
Net assets:						
Investment in capital assets, net of debt	$ 1,142,122	$ 1,192,546	1,207,031	1,301,910	1,388,223	86,313
Restricted for:						
Debt service	179,627	260,057	281,911	206,254	181,877	(24,377)
Capital Improvements				45,989	114,104	68,115
Unrestricted	115,919	41,151	76,006	97,509	41,066	(56,443)
Total net assets	$ 1,437,668	$ 1,493,754	$ 1,564,948	1,651,662	1,725,270	$ 73,608

CHANGES IN REVENUES

The District receives revenue from three sources: an operating transfer from GW&SSA, property taxes and interest earnings. Total revenues decreased $9,166 or 5.55 percent from the prior year.

Table 2
Changes in Revenues

Revenues	2004	2005	2006	2007	2008	2007-2008 % Change
Property taxes	$ 89,766	$ 86,253	$ 91,024	$ 87,477	$ 83,615	-4.41%
Interest income	9,543	7,147	11,691	13,679	8,375	-38.77%
Gain on sale of land	457,057	-	-	-	-	
Operating Transfer from Agency	77,500	75,000	75,000	75,000	75,000	0.00%
Total Revenues	$ 633,866	$ 168,400	$ 177,715	$ 176,156	$ 166,990	-5.20%



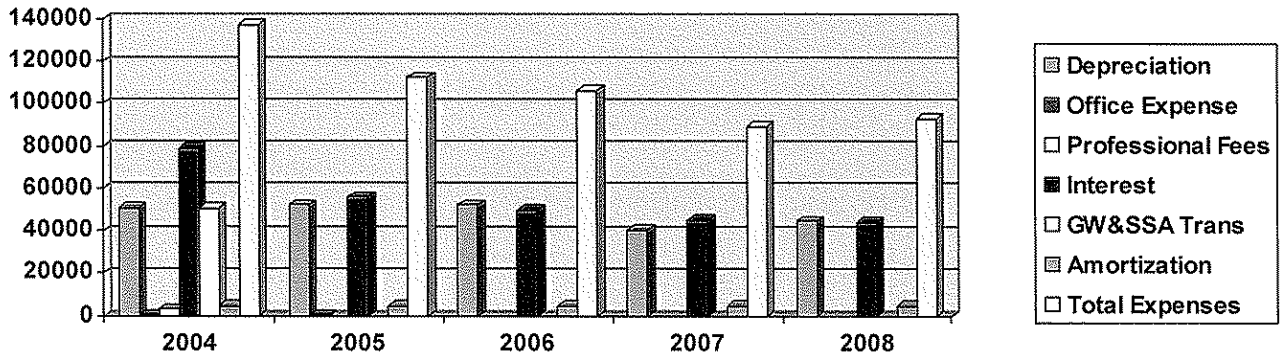
CHANGES IN EXPENSES AND NET ASSETS

The District expenses include: Office expense, professional fees, debt interest payments, debt issuance cost amortization and depreciation. Total expenses increased $3,940 or 4.4 percent over the prior year.

Net assets increased $73,608 or 4.46 percent over the prior year, see table 3 on the next page.

STATEMENT OF EXPENSES & CHANGES IN NET ASSETS (Continued)

Expenses	2004	2005	2006	2007	2008	2007-2008 % Change
Office Expense	$ 20	$ 30				0.00%
Professional Fees	3,000					
Interest on debt	79,082	55,748	49,986	44,770	44,229	-1.21%
Depreciation	50,513	51,944	51,944	40,080	44,561	11.18%
Amort. of issuance costs	4,592	4,592	4,591	4,592	4,592	0.00%
Total expenses	$ 134,187	$ 112,314	$ 106,521	$ 89,442	$ 93,382	4.41%
Net assets - beginning	$ 944,948	$ 1,437,668	$ 1,439,754	$ 1,564,948	$ 1,651,662	
Prior period adjustment	(3,939)	-	-	-	-	
Net assets - ending	1,437,668	1,493,754	1,564,948	1,651,662	1,725,270	
Change in net assets	$ 492,720	$ 56,086	$ 125,194	$ 86,714	$ 73,608	



GOVERNMENTAL ACTIVITIES

Table 4 presents the District's net cost (total cost less revenue generated by activity). The net cost for all Governmental Activity was $93,382. As shown in the Statement of Activities, the amount that our taxpayers financed for these activities through property taxes was $83,615. This points out that the District relies heavily upon property taxes to finance its operations.

Table 4
Governmental Activities

	Total Cost of Services 2008	Program Revenue 2008	Net Cost of Services 2008
Primary government			
Governmental activities:			
General Government	$ 49,153		$ 49,153
Interest on long-term debt	44,229		44,229
	$ 93,382	$ ...	$ 93,382

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board revised the District Budget once. A final budget revision was made near the end of the year and was to prevent budget overruns and to reflect more closely revenues and expenditures during the year.

Following these adjustments, the actual expenditures exceeded the final budgeted amounts by $0. Actual resources available for appropriation (revenues) were $1,610 below the final budgeted amount and operating transfers were $0 above the final budgeted amount. (See table 5 on the next page).

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Table 5
Budget vs. Actual

	2008 Actual	12/17/2007 2008 Budget	Amended 12/4/2008 2008 Budget	Actual vs Budget Variance
Revenues				
Taxes	$ 83,614	$ 85,400	$ 85,400	$ (1,786)
Interest income	8,375	13,438	8,200	$ 175
	$ 91,989	$ 98,838	$ 93,600	$ (1,611)
Expenses				
Office Expense	$ -	$ 25	$ -	$ -
Principal on debt	$ 130,873	$ 139,153	$ 130,873	$ -
Interest on debt	45,609	34,659	45,610	$ 1
	$ 176,482	$ 173,837	$ 176,483	$ 1
Other Financing Sources (Uses)				
Operating Transfers	75,000	75,000	75,000	$ -
	$ 75,000	$ 75,000	$ 75,000	$ -

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2008, the District's capital assets decreased $44,561 due to infrastructure and equipment depreciating.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (continued)

Table 6
Capital Assets at Year-end
(Net of Depreciation)

	2004	2005	2006	2007	2008
Land	$ 309,444	$ 309,444	$ 309,444	$ 309,444	$ 309,444
Water stock and rights	1,178,533	1,178,533	1,178,533	1,188,283	1,188,283
Land improvements	1,400	1,134	869	763	737
Building/building improvements	14,252	13,449	12,645	11,841	11,191
Infrastructure	1,740,160	1,690,246	1,640,332	1,601,402	1,557,517
Equipment	2,162	1,201	240		
Total	$ 3,245,951	$ 3,194,007	$ 3,142,063	$ 3,111,733	$ 3,067,172

The District's 2008 budget does not call for any spending for capital projects. The Board and the Agency plan on investigating expanding the secondary irrigation system in 2008.

Debt

At the year-end, the District had $1,678,949, in general obligation bonds and notes outstanding, a decrease of $130,874 or a decrease of 7.23 percent over the prior year.

Table 7
Outstanding Debt at Year-End

	2004	2005	2006	2007	2008	2007-2008 % Change
Bonds payable	$ 1,266,512	$ 1,234,590	$ 1,202,032	$ 1,168,823	$ 1,134,949	-2.90%
Notes payable	$ 889,000	$ 812,000	$ 733,000	$ 641,000	$ 544,000	-15.13%
	$ 2,155,512	$ 2,046,590	$ 1,935,032	$ 1,809,823	$ 1,678,949	-7.23%

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The District relies heavily on property taxes. It is anticipated that property taxes will increase slightly each year until 2018 when the District's general obligation bond will be paid off. Also the District receives operating revenues from GW&SSA to aid in paying its revenue bond. The District knows of no other conditions that will significantly change its financial condition in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Sovine, Manager/Operator, Dan Pyatt, Chairman, Jerry McNeely, Vice Chairman, Brian Backus, Trustee, Preston Paxman, Trustee, or Rex Tanner, Trustee at P.O. Box 1046, Moab, Utah 84532.

GRAND COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	GOVERNMENTAL ACTIVITIES	
ASSETS		
Current assets:		
Cash and cash equivalents	$	3,063
Restricted cash and cash equivalents		284,104
Receivables:		
Taxes		11,877
Total current assets	$	299,044
Noncurrent assets:		
Bond issuance costs	$	64,282
Capital assets, net of accumulated depreciation		
Land		309,444
Water stock and rights		1,188,283
Improvement, other than buildings		737
Buildings		11,191
Infrastructure		1,557,517
Total noncurrent assets	$	3,131,454
Total assets	$	3,430,498
LIABILITIES		
Current liabilities:		
Bond and loan interest payable	$	26,279
Current portion of long-term obligations		120,549
Total current liabilities	$	146,828
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	$	1,558,400
Total liabilities	$	1,705,228
NET ASSETS		
Invested in capital assets, net of related debt	$	1,388,223
Restricted for:		
Debt service		181,877
Capital projects		114,104
Unrestricted		41,066
Total net assets	$	1,725,270
Total liabilities and net assets	$	3,430,498

"The accompanying notes are an integral part of this statement."

GRAND COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary Government				
Governmental activities:				
Highway and public improvements	$ 49,153			$ (49,153)
Interest on long-term debt	44,229			(44,229)
Total governmental activities	$ 93,382	$ ...	$ ...	$ (93,382)

General Revenues:	
Taxes:	
Property taxes, levied for general purposes	$ 73,795
Property taxes, levied for debt service	9,820
Investment earnings	8,375
Operating transfer from other government	75,000
Total general revenues, special items, and transfers	$ 166,990
Change in net assets	$ 73,608
Net assets - beginning	1,651,662
Net assets - ending	$ 1,725,270

"The accompanying notes are an integral part of this statement."

GRAND COUNTY WATER CONSERVANCY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	TOTALS GOVERNMENTAL FUND TYPES	
	GENERAL	
ASSETS		
Cash and cash equivalents	$	3,063
Restricted cash and cash equivalents		284,104
Property taxes receivable		11,877
Total assets	$	299,044
LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Total liabilities	$	...
FUND EQUITY:		
Fund balance-		
Designated	$	295,981
Undesignated		3,063
Total fund equity	$	299,044
Total liabilities and fund equity	$	299,044

"The accompanying notes are an integral part of this statement."

GRAND COUNTY WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008

Total fund balances - governmental fund types:		$	299,044
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.			
Land	$ 309,444		
Water stock & rights	1,188,283		
Land improvements	737		
Buildings/building improvements	11,191		
Infrastructure	1,557,517		3,067,172
Bond issuance costs are reported as expenditures in the governmental funds. The cost is $91,834 and the related amortization is $27,552.		$	64,282
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bond and loan interest payable	$ (26,279)		
G.O. bonds payable - current portion	(120,549)		
G.O. bonds payable - non current port	(1,558,400)		(1,705,228)
Net assets of government activities		$	1,725,270

"The accompanying notes are an integral part of this statement."

GRAND COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	TOTALS GOVERNMENTAL FUND TYPES	
	GENERAL	
REVENUES:		
Taxes	$	83,614
Miscellaneous revenues		8,375
Total Revenues	$	91,989
EXPENDITURES:		
Debt service -		
Principal	$	130,873
Interest and fees		45,609
Total expenditures	$	176,482
Excess of revenues over (under) expenditures	$	(84,493)
OTHER FINANCING SOURCES (USES):		
Operating transfers from other governments	$	75,000
Total other financing sources (uses)	$	75,000
Excess of revenues and sources over (under) expenditures and uses	$	(9,493)
FUND BALANCES, January 1		308,537
FUND BALANCES, December 31	$	299,044

"The accompanying notes are an integral part of this statement."

GRAND COUNTY WATER CONSERVANCY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED DECEMBER 31, 2008

Amounts reported for governmental activities in the statement of activities are different because:			$	(9,493)
Net changes in fund balances - total governmental funds				
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($44,561) exceeded capital outlays ($0) in the current period.				(44,561)
The issuance of long-term debt (e.g., bonds) provide current financial resources to governmental funds, while the repayment of the principal of and interest of long-term debt consumes the current financial resources of governmental funds. In the Statement of Activities, principal payments on bonds are not recorded and interest expense is recognized as it accrues, regardless of when it is due. Also, governmental funds report the effect of issuances costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:				
	Repayment of bond principal	$ 130,873		
	Interest expense - debt	1,381		
	Amortization of bond issuance costs	(4,592)		127,662
Change in net assets of governmental activities			$	73,608

"The accompanying notes are an integral part of this statement."

GRAND COUNTY WATER CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The financial statements of Grand County Water Conservancy District has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting polices of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, (as amended by GASB Statement No. 37) Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statement include the following:

1) The financial statements include:

   A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operation.

   Financial statements prepared using full-accrual accounting for all the District's activities, including infrastructure assets (reservoirs, pipelines, etc.)

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

Grand County Water Conservancy District (referred to as the District hereafter) was organized under the State of Utah's Statute for Water Conservancy Districts and is a political subdivision of the State of Utah. The District is governed by a Board of Directors, appointed by the Governor of Utah, from nominees provided by the joint efforts of the governing bodies of Grand and San Juan County. The District includes areas located in Grand and San Juan Counties. The District provides the following services: water project (referred to as the Mill Creek Dam Project) that is used for the collection (reservoir) and distribution of water to residents and agriculture customers in Spanish Valley. The State of Utah and a separate special district – Grand County Special Service Water District – are also involved in the water project.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

The District is a legally separate entity that possesses the powers to set its own budget, incur debt, to sue and be sued, and to own and lease property. The Counties exercise no significant controlling powers over the District. As such, the District is not a component unit, as defined by the Governmental Accounting Standards Board in statement number 14 "The Financial Reporting Entity". Further, as defined in this statement, the District has no component units, which should be included in the accompanying financial statements. The District is mentioned in the footnote disclosures in the financial statements of Grand County as a related organization.

All financial activities over which the District has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the Districts financial statements.

B. Government-Wide Financial Statements

Generally accepted accounting principals (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont)

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District reports the following major governmental funds:

> The general fund is the District's only fund. It accounts for all financial resources of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

D. Budgetary Data

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is, estimated revenues and expenses must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Directors.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 15, the Board of Directors adopts the budget resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

E. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investment in the Public Treasurers' Investment Fund (PTIF).

F. Capital Assets

Capital assets, which include land, water stock, buildings and improvements, furniture and equipment, and infrastructure assets (e.g., tunnels, drainage systems, water and sewer systems, and dams), are reported in the applicable governmental columns in the government-wide financial statements. The District defines Capital Assets as assets with an individual cost of $3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, improvements, furniture and equipment and infrastructure assets of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	10 – 50
Improvements	10 – 40
Office furniture & equipment	3 – 20
Machinery and equipment	5 – 10
Automotive equipment	5 – 20
Infrastructure assets	15 – 100

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets.

H. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of 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.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2008, the District's bank balance of cash on deposit was $3,063 of this amount $3,063 was insured.

Investments

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

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

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

2. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2008, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	$ 284,104	$ 284,104			
Total Investments	$ 284,104	$ 284,104	$ ...	$ ...	$ ...

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 manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2008, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	$ 284,104				$ 284,104
Total	$ 284,104	$ ...	$ ...	$ ...	$ 284,104

2. DEPOSITS AND INVESTMENTS (Continued)

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 informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2008, the District had $284,104 invested in the Public Treasurer's Investment Fund and was held by them.

3. RESTRICTED CASH

In connection with bond agreements, the District has agreed to set aside money into sinking fund accounts. These funds are to assure that adequate money is available to service debt payments as they come due. In the current year, the District has set aside $160,000 in the bond sinking fund account held in the State Public Treasurer's Investment Pool and Zion's Bank. In addition to the bond sinking funds, the District has restricted $10,000, as required by DOGM, as a reclamation surety bond for the District's Clay Mine and $114,104 for capital improvements.

4. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Grand, Emery and San Juan County Treasurers, as agents of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessments rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a $10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of December 31, 2008, property taxes receivable consists of 1) delinquent taxes assessed but uncollected for calendar year 2007 and earlier and 2) taxes assessed as of January 1, 2008, but are not due and payable until November 30, 2008. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 309,444			$ 309,444
Water stock and rights	1,188,283			1,188,283
Total capital assets not being depreciated:	$ 1,497,727	$ . . .	$ . . .	$ 1,497,727
Capital assets being depreciated:				
Land improvements	$ 3,438			$ 3,438
Buildings	29,231			29,231
Machinery and equipment	13,756			13,756
Infrastructure	2,819,875			2,819,875
Total capital assets being depreciated:	$ 2,866,300	$ . . .	$ . . .	2,866,300
Less accumulated depreciation for:				
Land improvements	$ 2,675	$ 26		$ 2,701
Buildings	17,390	650		18,040
Machinery and equipment	13,756			13,756
Infrastructure	1,218,473	43,885		1,262,358
Total accumulated depreciation	$ 1,252,294	$ 44,561	$ . . .	$ 1,296,855
Total capital assets being depreciation, net	$ 1,614,006	$ (44,561)	$ . . .	$ 1,569,445
Governmental activities capital assets, net	$ 3,111,733	$ (44,561)	$ . . .	$ 3,067,172

5. CAPITAL ASSETS (Continued)

Depreciation expense of $44,561 was charged to highways and public improvements function.

6. WATER STOCK AND RIGHTS

Water Stock and Rights includes acquisition costs of various water rights and acquisition costs of shares of stock in Moab Irrigation Company, a local water management company. The District owns various water rights, including underground water rights, Colorado River water rights and Mill Creek water rights. The fair market value of these rights is not accurately determinable. The majority of these rights have been assigned to the State of Utah.

A private citizen contributed to the District a right to 30 acre-feet of water, effective December 1987. The right was valued at $2,000 per acre/foot, for a total contribution of $60,000. The same private citizen made a second contribution in December 1988 of 12 acre-feet valued at a total of $26,000. The values are estimates made by the District.

In 2003, the District purchased approximately 431 acre/feet of municipal water rights. The estimated market value at time of purchase was $1,002,566.

In 2007, the District purchased 6.5 shares of Moab Irrigation water rights. The estimated market value at the time of purchase was $9,750.

7. IMPROVEMENTS OTHER THAN BUILDINGS

Grand County Water Conservancy District is involved in the water project referred to as the Mill Creek Dam Project. This project constructed a collection system; a reservoir and distribution system to store and provide water to residents and agriculture customers in Spanish Valley. The State of Utah and a separate special district--Grand County Special Service Water District--are also involved in the project.

All construction activities were accounted for through the financial records of the Grand County Special Service Water District. However, upon completion of the major portion of the project, Grand County Water Conservancy District purchased from the State of Utah the State's equity in the project ($1,938,999 at that time) using a long-term repayment plan over a thirty-three year period. An amount equaling the purchase price was transferred to Grand County Water Conservancy District as an asset referred to as the Mill Creek Dam Project, with an offsetting amount set up as a long-term liability. The indebtedness is general obligation debt.

The State of Utah will retain legal title to all water rights assigned to the State by the District pursuant to the contracts, and to all facilities obtained by project funds until Grand County Water Conservancy District has paid the full purchase price and Grand County Special Service Water District has retired its full bond issue. Grand County Water Conservancy District retains full management and operation power and responsibilities.

8. LONG-TERM DEBT

The District has a bond payable due to the State of Utah on the District's portion of the Mill Creek Dam Project. The repayment schedule was renegotiated in 1989, resulting in extending the payments through the year 2018 and significantly changing the repayment timing.

8. LONG-TERM DEBT (Continued)

The total interest to be paid over the life of the contract (2.00% per annum) changed $222. The note is general obligation debt.

The long-term debt will mature according to the following schedule:

Due Date	Principal	Interest	Total
2009	$ 34,549	$ 22,701	$ 57,250
2010	35,240	22,010	57,250
2011	35,945	21,305	57,250
2012	18,664	20,586	39,250
2013	169,987	20,213	190,200
2014 - 2018	840,565	47,780	888,345
	$ 1,134,950	$ 154,595	$ 1,289,545

During 2003, the District borrowed $2,030,000 from Zions First National Bank. The note (identified as Certificate of Participation Series 2003A) carries an interest rate ranging from 2.0% to 4.0% per annum with interest payable commencing February 1st, 2004 and on each February 1st and August 1st, thereafter until maturity. Principal payments on this bond issue began on August 1st, 2004 and will continue through August 1st, 2014.

The note will mature according to the following schedule:

Date Principal Due	Principal Due	Interest Charges	Principal and Interest
February 1, 2009		$ 10,036	$ 10,036
August 1, 2009	$ 86,000	10,036	96,036
February 1, 2010		8,660	8,660
August 1, 2010	88,000	8,660	96,660
February 1, 2011		7,142	7,142
August 1, 2011	91,000	7,142	98,142
February 1, 2012		5,459	5,459
August 1, 2012	95,000	5,459	100,459
February 1, 2013		3,630	3,630
August 1, 2013	99,000	3,630	102,630
2014	85,000	3,300	88,300
	$ 544,000	$ 73,154	$ 617,154

8. LONG-TERM DEBT (Continued)

Listed below is the change in long-term debt during the year ended December 31, 2008.

	Balance 12-31-07	Debt Retired	New Issues	Balance 12-31-08	Amt due in one year
Governmental Activities:					
Bonds payable					
DWR	$ 1,168,823	$ 33,873		$ 1,134,950	$ 34,549
Series 2003A Note	641,000	97,000		544,000	86,000
	$ 1,809,823	$ 130,873	$ ...	$ 1,678,950	$ 120,549

9. PENSION

Grand County Water Conservancy District does not participate in a retirement program.

10. PAYROLL EXPENSE

Grand County Water Conservancy District did not have any payroll expense during the year ended December 31, 2008.

11. CONTINGENT OBLIGATIONS

Management, the Board of Directors and legal counsel for Grand County Water Conservancy District are aware of no litigation involving the District, either in progress or pending, which would materially affect the financial statements as of December 31, 2008, nor of any material contingencies not otherwise disclosed in the Notes to Financial Statements contained herein.

12. RESERVED FUND BALANCE/NET ASSETS

The designated fund balance, as shown on the balance sheet, has been set-aside for retirement of the District's bond payable, a mine reclamation surety bond, and for capital improvements.

13. BUDGET CHANGES

Fund	Original Budget	Final Budget 09/30/08
General	$ 173,838	$ 176,483

14. BUDGETARY COMPLIANCE

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund discloses budgetary compliance on a functional level as required by generally accepted accounting principles. Utah State law requires that budgetary compliance to be measured on a fund level.

15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these liabilities, the District has contracted with commercial insurance companies. The District pays an annual premium for this coverage.

16. USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GRAND COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	GENERAL			
	ORIGINAL BUDGET	FINAL APPROPRIATED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	$ 85,400	$ 85,400	$ 83,614	$ (1,786)
Miscellaneous revenues	13,438	8,200	8,375	175
Total revenues	$ 98,838	$ 93,600	$ 91,989	$ (1,611)
EXPENDITURES:				
Highways and public improvements	$ 25			
Debt service -				
Principal	128,204	$ 130,873	130,873	
Interest and fees	45,609	45,610	45,609	$ 1
Total expenditures	$ 173,838	$ 176,483	$ 176,482	$ 1
Excess of revenues over (under) expenditures	$ (75,000)	$ (82,883)	$ (84,493)	$ (1,610)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other governments	$ 75,000	$ 75,000	$ 75,000	
Total other financing sources (uses)	$ 75,000	$ 75,000	$ 75,000	$ ...
Excess of revenues and sources over (under) expenditures and uses		$ (7,883)	$ (9,493)	$ (1,610)
FUND BALANCES, January 1		7,883	308,537	300,654
FUND BALANCES, December 31	$ ...	$ ...	$ 299,044	$ 299,044

GRAND COUNTY WATER CONSERVANCY DISTRICT
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2008

YEAR	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE
2009	$ 120,549	$ 42,773	$ 163,322
2010	123,240	39,330	162,570
2011	126,945	35,589	162,534
2012	113,664	31,504	145,168
2013	268,987	27,473	296,460
2014	258,378	20,113	278,491
2015	176,855	13,345	190,200
2016	195,392	9,808	205,200
2017	199,300	5,900	205,200
2018	95,640	1,914	97,554
	$ 1,678,950	$ 227,749	$ 1,906,699

GRAND COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND
ADMINISTRATION COSTS - ALLOCATED FOR ALL DISTRICTS
RECORDED IN THE GRAND WATER AND SEWER SERVICE AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2008

	GRAND WATER AND SEWER SERVICE AGENCY AUDIT TOTALS DECEMBER 31, 2008	GRAND COUNTY WATER CONSERVANCY DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2008	SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2008	GRAND COUNTY SPECIAL SERVICE WATER DISTRICT - AUDIT AND ALLOCATED TOTALS DECEMBER 31, 2008
Governmental Revenues:				
Taxes		$ 83,614	$ 364	$ 163,203
Interest income		8,375	9,577	12,255
Total governmental revenues	$ ...	$ 91,989	$ 9,941	$ 175,458
Operating Revenues: (allocated to Districts)				
Water fees	$ 597,233	$ 154,207	$ 443,026	
Sewer fees	513,231		513,231	
Impact fees	112,100		112,100	
Other fees	49,661	450	49,211	
Irrigation fees	108,974	108,974		
Total operating revenues	$ 1,381,199	$ 263,631	$ 1,117,568	$ ...
Total all revenues	$ 1,381,199	$ 355,620	$ 1,127,509	$ 175,458
Governmental expenditures:				
Highways and public improvements			$ 24	
Debt service-				
Principal		$ 130,873	197,572	$ 137,513
Interest and fees		45,609	53,865	34,999
Total governmental expenditures	$ ...	$ 176,482	$ 251,461	$ 172,512
Operating Expenses: (allocated to Districts)				
Administrative costs allocation (net of interest income - $58,608)	$ 491,782	$ 61,650	$ 430,132	
Water commissioner	10,207	10,207		
Sewer treatment	145,851		145,851	
Water assessments and purchases	29,166	29,166		
Repairs and maintenance	197,335	65,158	132,177	
Billing expense	15,494	53	15,441	
Rent	10,761	10,660	101	
Total operating expenses	$ 900,596	$ 176,894	$ 723,702	$ ...
Total all expenditures/expenses	$ 900,596	$ 353,376	$ 975,163	$ 172,512

GRAND COUNTY WATER CONSERVANCY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
ADMINISTRATION COSTS FOR ALL DISTRICTS
RECORDED IN THE GRAND WATER AND SEWER SERVICE AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2008

	GRAND WATER AND SEWER SERVICE AGENCY TOTALS DECEMBER 31, 2008	GRAND COUNTY WATER CONSERVANCY DISTRICT TOTALS DECEMBER 31, 2008	SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT TOTALS DECEMBER 31, 2008	GRAND COUNTY SPECIAL SERVICE WATER DISTRICT TOTALS DECEMBER 31, 2008
Excess of all revenues over (under) all expenditures/expenses	$ 480,603	$ 2,244	$ 152,346	$ 2,946
Non-operating Revenues (Expenses) (Agency amounts allocated to Districts)				
Miscellaneous revenue	$ 1,025		$ 1,025	
Connection fees	7,003	$ 225	6,778	
Transfer to Water Conservancy District	(75,000)	(75,000)		
Transfer to Spanish Valley W & S	(252,642)		(252,642)	
Total non-operating revenues (expenses)	$ (319,614)	$ (74,775)	$ (244,839)	$ ...
Net income/(loss) current year		$ (72,531)	$ (92,493)	$ 2,946
Net income loss attributable to the Grand Water & Sewer Service Agency - net income(loss) *	$ 160,989	$ 11,962	$ 149,027	
* Calculation of allocated Net income/(loss) of Grand Water & Sewer Service Agency				
Total operating revenues		$ 263,631	$ 1,117,568	
Total operating expenses		(176,894)	(723,702)	
Net operating income/(loss)		$ 86,737	$ 393,866	
Non-operating revenues/(expenses)				
Miscellaneous revenue			$ 1,025	
Connection Fees		$ 225	6,778	
Transfer from/(to)		(75,000)	(252,642)	
Total non-operating revenues/(expenses)		$ (74,775)	$ (244,839)	
Net income/(loss)		$ 11,962	$ 149,027	

Note: This schedule is for analysis of funds available in the Grand Water & Sewer Service Agency that pertain to Grand County Water Conservancy District, Spanish Valley Water & Sewer Improvement District and Grand County Special Service Water District. Financial information does not necessarily reflect the revenues and expenditures/expenses reported in their individual reports.

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Grand County Water Conservancy District
Moab, Utah 84532

RE: Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of the governmental activities of Grand County Water Conservancy District, as of and for the year ended December 31, 2008, and have issued our report thereon dated February 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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 District'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to reported under Government Auditing Standards.

This report is intended solely for the information and use of the operating committee, management, others within the organization, board of directors and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

February 27, 2009

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GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Grand County Water Conservancy District
Moab, Utah 84532

RE: Report on Legal Compliance with
Applicable Utah State Laws
and Regulations

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities of Grand County Water Conservancy District, for the year ended December 31, 2008, and have issued our report thereon dated February 27, 2009. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

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

The District did not receive any major or nonmajor State grants during the year ended December 31, 2008.

The management of Grand County Water Conservancy 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.

Our audit does not provide a legal determination on the District's compliance with these requirements.

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

In our opinion, Grand County Water Conservancy District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2008.

This report is intended solely for the information and use of management of the District and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

February 27, 2009