



JON M. HUNTSMAN, JR.
Governor
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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Water Rights

MICHAEL R. STYLER JERRY D. OLDS
Executive Director *State Engineer/Division Director*

May 2, 2007

Dear Fremont River Water User:

In response to a number of telephone inquiries from the water users on the Fremont River Distribution System concerning the assessment notices that were sent out April 28, 2007, an explanation for the increase in assessment has been requested.

The following figures show the budget and assessment set by vote of the water users for the last two years:

2006 Water Year

Assessment: \$2500.00

Budget: \$5600.00

End of Year Trust Account Balance. \$7237.10

2007 Water Year

Assessment: \$7450.00

Budget: \$7450.00

End of Year Trust Account Balance: \$1475.09

The method of assessment calculation on this system is based upon actual water rights of each water user expressed, prorated to their respective percentage to the whole of the system.

The State Engineer's recommendation is that at least 30% of the annual budget be held as residual in the Trust Account to meet the expenses of the distribution system through the months of January, February, March and April of each year, prior to the time that assessments are collected after the annual meeting. The reserve in the Trust Account had been depleted below the needed requirement at the end of the year for 2006. Therefore this year's assessment was increased based upon a vote of the water users who approved the 2007 proposed budget, to help catch up on the funds to operate the distribution system. The result is an increase in the assessment to each water user. (See attached Financial Report, 2006 and 2007 Proposed Budget Worksheets).

Key to understanding the increase in billing is that the assessment set in 2006 was purposely set low at \$2500, relying on the 2005 year end \$5400 residual balance to cover the planned budget of \$5600. However, late billing from Jan Ellett, the previous commissioner, received in 2006 for work done in 2005 was over the 2005 set assessment amount by \$535. Becky Taft operated the water system about \$493 under her \$5600 budget in 2006. Although these amounts seem to be off setting, there was billing in 2005 from Jan Ellet that eroded most of the trust account reserve in 2005. This, combined with an unusually low assessment set in 2005,

depleted the trust account to a negative amount of \$2786. Therefore the assessment set for 2007 at \$7450 provides for a \$1200 increase in salary for the water commissioner and a \$400 increase in travel. However this does not provide for any residual (or 30% reserve) buildup in the trust account, since the combined 2006 billing of \$8386 eroded the previous reserve, and the current assessment of \$7450 does not cover this deficit amount. Please anticipate that the residual or reserve will still be insufficient to cover the budgeted expenses by the end of 2007, for the amounts budgeted by about \$1475.

The Water users should understand that the source of this budget problem was not caused solely by the recent increase in salary, but the culmination of a series of years with unusually low assessment amounts set in 2006 along with years prior, that relied heavily on the reserve balance in the trust account to cover the budget. This has caused the trust account to now be depleted. This depleted trust account is the reason you have seen a 3 fold increase in your current assessment, where 2/3 of that amount is attributable to the depleted trust account and 1/3 is a result of the salary and travel increase.

I appreciate your understanding in this matter and trust this information will answer any questions you might have concerning last year's financial data. If not, I will be glad to answer any questions you might have. Feel free to call me at (435-538-7431).

Sincerely,

A handwritten signature in cursive script, appearing to read "John S. Larsen".

John S. Larsen, Eng. Aide IV
Distribution Section

JSL
Encl.
cc. Kirk Forbush
Becky Taft

LOWER FREMONT RIVER DISTRIBUTION SYSTEM
2007 Proposed Budget Worksheet

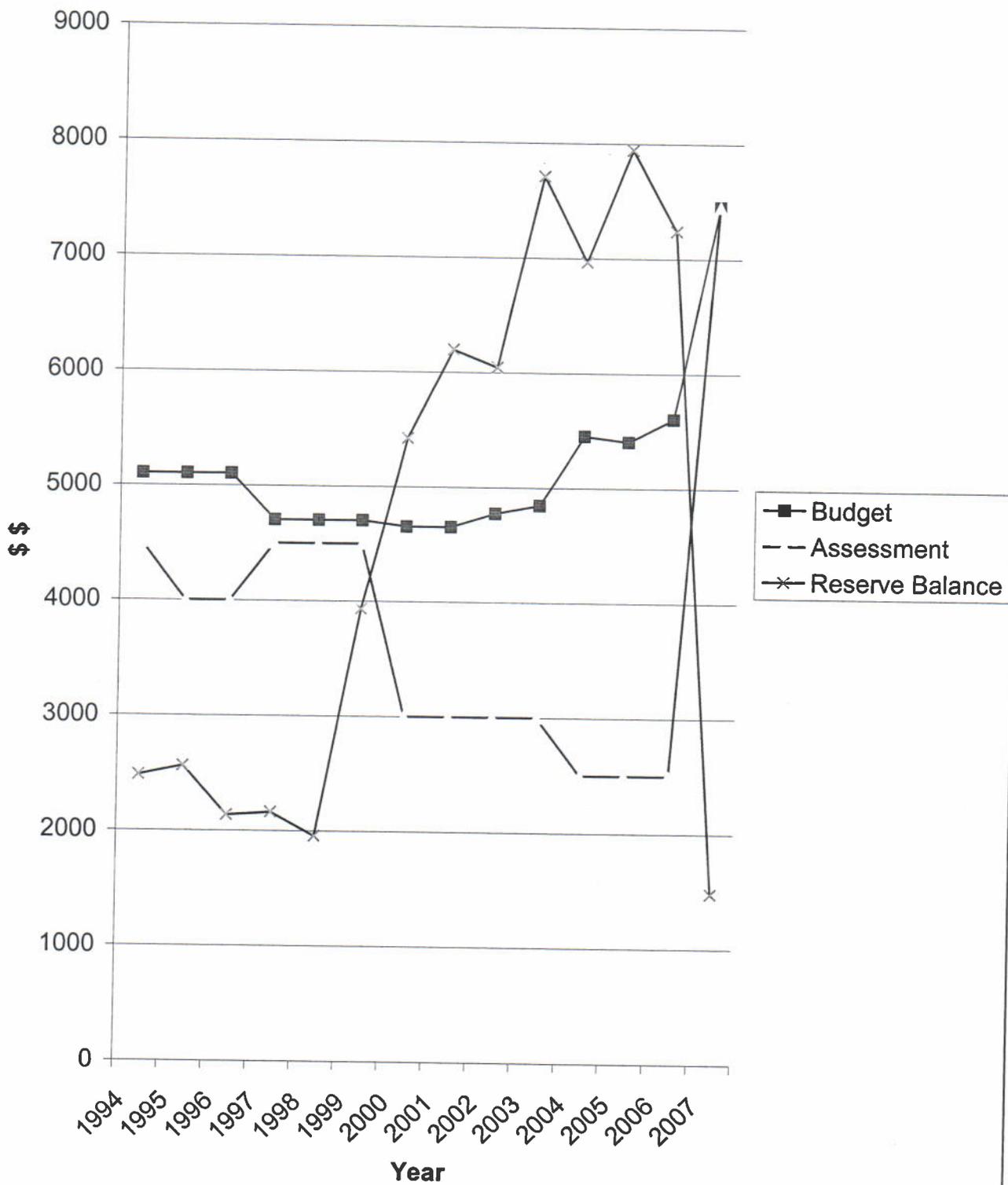
Item Description	2006 Budget	2006 Expenditures	Proposed 2007 Budget	2007 ACTUAL BUDGET SET
Taft, Rebecca				
Salary	2,500.00	2,500.00	4,650.00	→ 3600
Social Security	192.00	191.25	356.00	→ 275
Insurance	25.00	24.74	86.00	→ 67
Travel Expense	2,400.00	2,360.74	2,800.00	→ 2800
Supplies & Equipment	0.00	13.56	125.00	→ 125
Telephone expense	50.00	12.23	50.00	→ 50
Miscellaneous Expenses	40.00	5.00	0.00	
Annual Report	150.00	0.00	150.00	→ 150
SUB-TOTAL	5,357.00	5,107.52	8,217.00	7450
Ellett, Jan				
Travel expense	0.00	1,475.60	0.00	
Committee Expense	0.00	15.00	0.00	
Telephone expense	0.00	515.00	0.00	
Contract Service	0.00	850.00	0.00	
Annual Report	0.00	180.00	0.00	
SUB-TOTAL	0.00	3,035.60	0.00	
State Engineers Assesment	243.00	243.00	383.00	
TOTAL	5,600.00	8,386.12	8,600.00	7450

L/ R FREMONT RIVER DISTRIBUTION S' YEM
 2007 Proposed Budget Worksheet

Item No	Item Description	2006 Amount Budgeted	2006 Item Balance	2007 Proposed Budget
Taft, Rebecca				
1	Salary	2,500.00	0.00	<u>3600</u>
2	Social Security	192.00	0.75	<u>275</u>
3	Insurance	25.00	0.26	<u>67</u>
4	Travel Expense	2,400.00	39.26	<u>2800</u>
Ellett, Jan				
5	Travel Expense	0.00	-1,475.60	
6	Committee Expense	0.00	-15.00	
7	Supplies & Equipment	0.00	-13.56	<u>125</u>
8	Telephone Expense	50.00	-477.23	<u>50</u>
9	Contract Service	0.00	-850.00	
10	Miscellaneous Expenses	40.00	35.00	
11	State Engineer Assessment	243.00	0.00	<u>383</u>
12	Annual Report	150.00	-30.00	<u>150</u>
Totals :		5,600.00	-2,786.12	\$ 7450

2007 ASSESSMENT \$ 7450

Fremont Budget Trend



L. R. FREMONT RIVER DISTRIBUTION SYSTEM
 2006 Proposed Budget Worksheet



Item No	Item Description	2005 Amount Budgeted	2005 Item Balance	2006 Proposed Budget
Ellett, Jan THERE WILL BE A NEW COMMISSIONER				
1	Salary	1,200.00	0.00	<u>2500</u>
2	Social Security	92.00	0.20	<u>192</u>
3	Insurance	0.00	-12.02	<u>25</u>
4	Travel Expense	1,750.00	1,046.30	<u>2400</u>
5	Health Insurance	46.00	46.00	<u>0</u>
6	Telephone Expense	515.00	15.00	<u>50</u>
7	Contract Service	1,300.00	775.00	<u>0</u>
8	Miscellaneous Expenses	54.00	29.00	<u>40</u>
9	State Engineer Assessment	263.00	0.00	<u>243</u>
10	Annual Report	180.00	0.00	<u>150</u>
Totals :		5,400.00	1,899.48	\$ 5,600

ASSESSMENT = \$ 2500

MILEAGE RATE = IRS RATE 44.5¢/MILE.