DAGGETT COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

DAGGETT COUNTY
BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Daggett County
Manila, Utah 84046

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Daggett County, Utah, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and those 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Daggett County as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2007 on our consideration of Daggett County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Daggett County's basic financial statements. The combining statements and schedules listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governmental and Non-Profit Organizations, and is not a required part of the basic financial statements. These statements and schedules are also the responsibility of the management of the County. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, are fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

Smuin Rich & Marsing

Price, Utah

May 21, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This Management's Discussion and Analysis (MD&A) of Daggett County's financial performance is designed to assist readers in understanding the County's basic financial statements, the relationship of different types of statements, and the significant differences in the information they provide. The MD&A will identify changes in the County's ability to address the next and subsequent year's financial needs, based on currently known facts and is best understood if read in conjunction with Daggett County's basic financial statements.

FINANCIAL HIGHLIGHTS AS OF THE CLOSE OF FY2006

- The government-wide assets of Daggett County exceeded its liabilities by $25,850,057 reflecting a change in net assets from the prior period increasing the total by $737,134. The cost of capital assets are allocated over their estimated useful lives and reported as depreciation expense. The County reported depreciation expense for FY2006 in the amount of $459,806.

- The County's governmental funds reported combined ending fund balances of $3,007,098 an increase of $494,373 over the prior year. The fund balance increased over the prior years due mainly to the ability of the County to control costs.

- Daggett County had total overall governmental fund revenues and other financing sources of $5,280,291, which were less than total expenditures and transfers of $4,785,918 by $494,373.

- The County's government-wide long-term debt decreased $130,857 from calendar year 2005. The County's debt consists of general obligation bonds and capital leases. The G.O. bonds were issued to construct the Daggett County Jail and capital leases were used to purchase equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

Daggett County's financial statements focus on both the County as a whole (government-wide), and on the major individual funds. "Funds" are resources segregated for the purposes of implementing specific activities in accordance with special regulations, restrictions, or limitations. Both government-wide and fund perspectives allow users to address relevant questions and understand changes in financial conditions. The structure of the financial statements is presented in the following pages of the MD&A.

The MD&A is intended to be an introduction to Daggett County's basic financial statements. The basic financial statements are comprised of three components, including government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed so that all governmental and business-type activities are reported in columns, which add to a total for the primary government. The Statement of Net Assets provides bottom line results of the County's activities as a whole and presents a longer-term view of the County's finances. The Statement of Net Assets and the Statement of Activities report information about Daggett County and its activities to reflect the financial position. These two statements divide the County into three kinds of activities:

Government-Wide Financial Statements (Continued)

- Governmental activities – Most of the County's basic services including general administration are reported here. Property taxes, fees, and state and federal grants finance most of these activities.

- Business-type activities – The County charges fees to residents of Dutch John to cover the cost of services provided to maintain water and sewer facilities at Dutch John. The County receives grant funds from the federal government to help in the transition from Bureau of Reclamation ownership to County ownership. The County also builds and sales low income housing.

- Component Units – The County includes separate legal entities in its report – Daggett County Roads and Transportation Special Service District is a legally separate entity independent from the County. Since the District provides services only to Daggett County residents and the County has financial responsibility for the District, generally accept accounting principles require the District's financial statements to be rolled up into Daggett County's financial statements.

Fund Financial Statements

Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide detailed information that focus on the most significant funds rather than the County as a whole. Major funds are separately reported to control and manage money and to show that legal responsibilities are met for certain taxes, grants and other designated funds. Daggett County uses the following types of funds:

Governmental Funds – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Daggett County has the following governmental funds – General, Special Revenue and Capital Projects. The services accounted for in the General Fund include general government, public safety, judicial, public health, highway and public improvements, recreation and economic development.

Proprietary Funds – Consist of enterprise fund activities used to account for operations that are financed and operated in a manner similar to private businesses. Daggett County has two enterprise funds – Dutch John operating fund, which is used to account for the financial activities of the area formerly known as the Dutch John recreational area and the Low Income Housing fund which is used to account for the construction costs and sale of low income housing.

Fiduciary Funds – Fiduciary funds are used to account for resources held by Daggett County in a trustee capacity or as an agent for the benefit of other individuals, governmental units or other funds. Fiduciary funds are not reflected in the government-wide financial statements, as the resources of those funds are not available to support the County's activities.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes are part of the basic financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Daggett County.

The combining statements in connection with non-major governmental funds are presented immediately following the required supplementary information.

FINANCIAL ANALYSIS OF DAGGETT COUNTY, UTAH: GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Assets

The County's assets exceeded its liabilities at the close of FY2006 by $25,850,057. The largest segment of the County's net assets reflect its investment in capital assets (e.g., land, buildings, improvements, furniture, infrastructure), less any related outstanding debt used to acquire those assets. Capital Asset resources are not available for future spending and cannot be liquidated to pay off related liabilities. Resources needed to repay capital-related debt must be provided from other funding sources.

Restricted net assets amount to $2,138,793 and represent resources that are subject to restrictions on how they may be used.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Current and other assets	$ 2,707,209	$ 3,341,508	$ 2,973,406	$ 3,597,972	$ 5,680,615	$ 6,939,480
Capital assets, net	7,671,787	7,324,051	14,565,045	14,249,110	22,236,832	21,573,161
Total assets	$ 10,378,996	$ 10,665,559	$ 17,538,451	$ 17,847,082	$ 27,917,447	$ 28,512,641
Current liabilities	$ 355,119	$ 415,485	$ 231,387	$ 56,588	$ 586,506	$ 472,073
Long-term liabilities	2,334,699	2,185,908	2,668	4,603	2,337,367	2,190,511
Total liabilities	$ 2,689,818	$ 2,601,393	$ 234,055	$ 61,191	$ 2,923,873	$ 2,662,584
Net assets:						
Investment in capital assets, net of debt	$ 5,292,887	$ 5,086,438	$ 14,243,905	$ 14,249,110	$ 19,536,792	$ 19,335,548
Restricted for:						
Class "B" Road	241,787	309,796			241,787	309,796
Capital Projects Fund	319,381	371,990			319,381	371,990
Daggett County Roads & Transportation S.S.D.	556,777	1,457,007			556,777	1,457,007
Unrestricted	1,278,346	838,935	3,060,491	3,536,781	4,338,837	4,375,716
Total net assets	$ 7,689,178	$ 8,064,166	$ 17,304,396	$ 17,785,891	$ 24,993,574	$ 25,850,057

Changes in Net Assets

Daggett County's combined ending net assets total $25,850,057, an over all increase of $856,483 (including a prior period adjustment of $119,349) over last year's ending net asset balances.

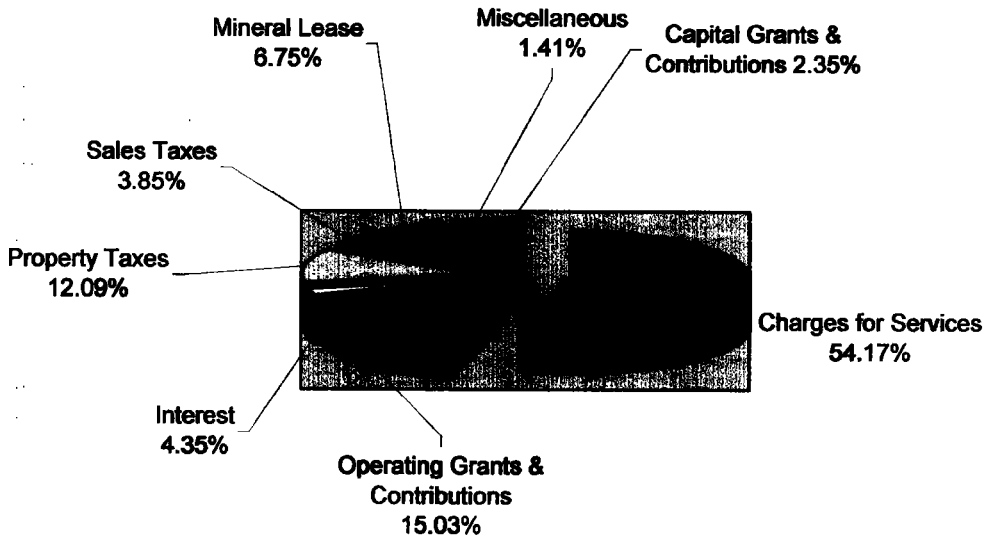
Changes in Net Assets (Continued)

The cost of capital assets are allocated over their estimated useful lives and reported as depreciation expense. The County reported depreciation expense over the past year of $459,806. The following table summarizes the changes in Daggett County's net assets:

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Revenues						
Program Revenues:						
Charges for services	$ 2,896,335	$ 2,748,662	$ 116,412	$ 962,682	$ 3,012,747	$ 3,711,344
Operating grants and contrib.	873,329	645,886	378,259	384,834	1,251,588	1,030,720
Capital grants and contrib.		110,736		50,000		160,736
General Revenues:						
Property taxes	795,311	828,483			795,311	828,483
Sales taxes	315,618	263,574			315,618	263,574
Other taxes	15,140	8,297			15,140	8,297
Mineral lease revenue	346,177	462,238			346,177	462,238
Gains/(loss) on sale of assets		(3,721)		57,388		53,667
Interest	63,965	116,112	100,176	181,703	164,141	297,815
Miscellaneous	46,080	34,671	89,383		135,463	34,671
Total revenues	$ 5,351,955	$ 5,214,938	$ 684,230	$ 1,636,607	$ 6,036,185	$ 6,851,545
Program expenses						
General government	$ 948,126	$ 1,023,716			$ 948,126	$ 1,023,716
Public safety	2,894,420	3,027,414			2,894,420	3,027,414
Public health	9,073	9,118			9,073	9,118
Highways and public improve	787,647	493,037			787,647	493,037
Parks and recreation	33,704	46,442			33,704	46,442
Economic development	66,423	105,534			66,423	105,534
Interest on long-term debt	113,918	110,038		$ 12,549	113,918	122,587
Dutch John			$ 508,229	575,087	508,229	575,087
Low income housing				711,476		711,476
Total expenses	$ 4,853,311	$ 4,815,299	$ 508,229	$ 1,299,112	$ 5,361,540	$ 6,114,411
Excess (deficiency) before transfers	$ 498,644	$ 399,639	$ 176,001	$ 337,495	$ 674,645	$ 737,134
Transfers		(144,000)		144,000		
Change in net assets	$ 498,644	$ 255,639	$ 176,001	$ 481,495	$ 674,645	$ 737,134
Net assets - beginning	$ 7,190,534	$ 7,689,178	$ 17,128,395	$ 17,304,396	$ 24,318,929	$ 24,993,574
Prior period adjustment		119,349				119,349
Net assets - ending	7,689,178	8,064,166	17,304,396	17,785,891	24,993,574	25,850,057
	$ 498,644	$ 255,639	$ 176,001	$ 481,495	$ 674,645	$ 737,134

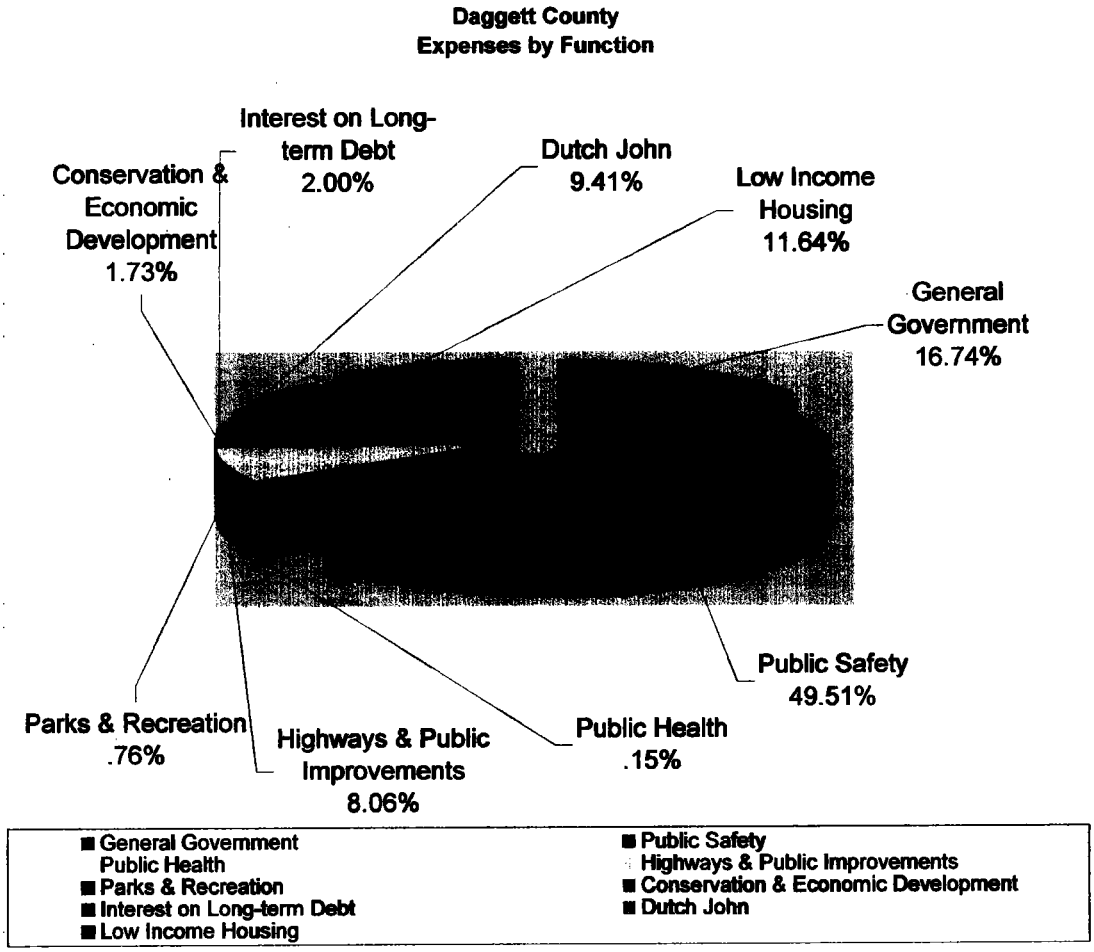
Daggett County Revenues by Source
Government-wide Activities



■ Charges for Services	■ Operating Grants & Contributions	□ Capital Grants & Contributions
□ Property Taxes	■ Sales Taxes	■ Mineral Lease
■ Interest	■ Miscellaneous	

Charges for Services constitute the largest source of Daggett County revenues at 54.17%. Property and sales tax combined represent 15.94% of the total revenue. Mineral lease revenue, operating grants and contributions provided 24.13% of the County's revenues for the year.

The cost of all governmental activities for FY 2006 was $6,114,411. The following chart represents expenses by the County's largest functions.



General Fund Budgetary Highlights

Differences between the original budgeted expenditures and the final amended budget of $21,570 can be briefly summarized as follows:

- $42,659 decrease in general government
- $23,870 decrease in public safety
- $30,000 increase in highways and public improvements
- $ 2,409 increase in parks, recreation and public property
- $12,550 increase in transfers out

Capital Asset and Debt Administration

Capital Assets

Daggett County's investment in capital assets for all governmental activities as of December 31, 2006 amounted to $21,573,161. Capital asset investments include land, right of ways, water rights, buildings, improvements other than buildings and equipment. Roads, highways, and bridges are incorporated in the infrastructure, as summarized below:

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2006	2005	2006	2005	2006
Land	$ 253,276	$ 109,276	$ 11,818,463	$ 11,816,266	$ 12,071,739	$ 11,925,542
Right of ways	103,942	103,942			103,942	103,942
Water rights			782,520	782,520	782,520	782,520
Buildings	3,018,554	2,915,548	478,953	459,025	3,497,507	3,374,573
Improvements other than buildings	436,888	420,528	249,270	249,270	686,158	669,798
Equipment	1,160,537	1,184,290	265,947	254,716	1,426,484	1,439,006
Infrastructure	2,698,591	2,590,467	648,752	621,075	3,347,343	3,211,542
Housing construction			321,141	66,238	321,141	66,238
Total	$ 7,671,788	$ 7,324,051	$ 14,565,046	$ 14,249,110	$ 22,236,834	$ 21,573,161

Additional information on Daggett County's capital assets can be found in the notes to the financial statements.

Long-Term Debt

The Jail Fund accounts for resources obtained and used for the payment of principal and interest on long-term obligations and on general obligation bonds, which are funded though inmate fees. Although the Jail is accumulating funds to make debt payments the bonds are general obligation debt. The amount of debt a governmental entity may issue is limited to 2 percent of its total fair market value of taxable property. Daggett County currently has general obligation debt of $2,209,000.

Long-Term Debt (Continued)

The following table is a summary of Daggett County's gross outstanding long-term debt as of December 31, 2006

	Governmental Activities	
	2005	2006
Capital leases	$ 33,900	$ 28,613
Compensated absences	108,749	118,908
GO Bond, Series 1998A	2,225,000	2,095,000
GO Bond, Series 1998B	120,000	114,000
Total outstanding debt	$ 2,487,649	$ 2,356,521

More detailed information about the County's long-term liabilities is available in the notes to the financial statements.

Business-Type Activities

Enterprise Funds are used to report the functions presented as *business-type activities* shown in the above charts and in the government-wide statements. The activity of the Enterprise Fund experienced an increase in net assets due to grant revenues received, interest income and charges for water and sewer services. The fund financial statements provide more detail and additional information for the County's Enterprise Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Daggett County will consider a number of factors when setting the FY 2007 Budget including but not limited to the unemployment rate, increase/decrease in market values of property and certified tax rates. Currently, there are no major construction projects planned for the up coming fiscal year.

Contacting the County's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Keri Pallesen, Daggett County Recorder/Auditor, P.O. Box 219, Manila, Utah 84046.

DAGGETT COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	PRIMARY GOVERNMENT		
	GOVERN-MENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 44,165		$ 44,165
Investments	2,483,151	$ 3,376,270	5,859,421
Investments in stock	505		505
Accounts receivable - net	33,893	216,302	250,195
Property taxes receivable	205,237		205,237
Due from other governmental units	574,532	5,400	579,932
Cash - restricted	25		25
Capital assets (net of accumulated depreciation):			
Land and water rights	213,218	12,598,786	12,812,004
Buildings	2,915,548	459,025	3,374,573
Improvements other than buildings	420,528	249,270	669,798
Equipment	1,184,290	254,716	1,439,006
Infrastructure	2,590,467	621,075	3,211,542
Housing under construction		66,238	66,238
Total assets	$ 10,665,559	$ 17,847,082	$ 28,512,641
LIABILITIES			
Cash in deficit		$ 17,521	$ 17,521
Accounts payable	$ 139,039	39,067	178,106
Accrued liabilities	97,997		97,997
Bond interest payable	7,836		7,836
Bond payable - current	142,000		142,000
Bonds payable - noncurrent	2,067,000		2,067,000
Capital lease payable - current	28,613		28,613
Compensated absences	118,908	4,603	123,511
Total liabilities	$ 2,601,393	$ 61,191	$ 2,662,584
NET ASSETS			
Invested in capital assets, net of related debt	$ 5,086,438	$ 14,249,110	$ 19,335,548
Restricted for:			
Class "B" roads	309,796		309,796
Capital projects	371,990		371,990
Daggett County Roads & Transportation S.S.D.	1,457,007		1,457,007
Unrestricted	838,935	3,536,781	4,375,716
Total net assets	$ 8,064,166	$ 17,785,891	$ 25,850,057

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

		PROGRAM REVENUES			NET (EXPENSE) REVENUE & CHANGES IN NET ASSETS		
					PRIMARY GOVERNMENT		
Function/Programs	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary government:							
Governmental activities:							
General government	$ 1,023,716	$ 215,753	$ 125,954	$ 44,300	$ (637,709)		$ (637,709)
Public safety	3,027,414	2,530,889	100,589		(395,936)		(395,936)
Public health	9,118				(9,118)		(9,118)
Highways and public improvements	493,037		404,988	66,436	(21,613)		(21,613)
Parks, recreation and public property	46,442	2,020	4,878		(39,544)		(39,544)
Community and economic development	105,534		9,477		(96,057)		(96,057)
Interest on long-term debt	110,038				(110,038)		(110,038)
Total governmental activities	$ 4,815,299	$ 2,748,662	$ 645,886	$ 110,736	$ (1,310,015)		$ (1,310,015)
Business-type activities:							
Enterprise - Dutch John	$ 575,087	$ 206,429	$ 384,834			$ 16,176	$ 16,176
Enterprise - Low income housing	711,476	756,253		$ 50,000		94,777	94,777
Total business-type activities	$ 1,286,563	$ 962,682	$ 384,834	$ 50,000		$ 110,953	$ 110,953
Total primary government	$ 6,101,862	$ 3,711,344	$ 1,030,720	$ 160,736	$ (1,310,015)	$ 110,953	$ (1,199,062)
General revenues:							
Property taxes					$ 725,616		$ 725,616
Sales and use taxes					119,727		119,727
County option sales taxes					65,879		65,879
Restaurant taxes					12,819		12,819
Transient room taxes					65,149		65,149
Motor fuel taxes					8,297		8,297
Assessing and collecting					102,867		102,867
Mineral lease revenue					462,238		462,238
Unrestricted investment earnings					116,112	$ 181,703	297,815
Gain (loss) on sale of capital assets					(3,721)	57,388	53,667
Interest expense						(12,549)	(12,549)
Miscellaneous					34,671		34,671
Transfers					(144,000)	144,000	
Total general revenues and transfers					$ 1,565,654	$ 370,542	$ 1,936,196
Change in net assets					$ 255,639	$ 481,495	$ 737,134
Net assets - beginning					7,689,178	17,304,396	24,993,574
Prior period adjustment					119,349		119,349
Net assets - ending					$ 8,064,166	$ 17,785,891	$ 25,850,057

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL FUND	JAIL	DAGGETT COUNTY ROADS AND TRANSPORTATION SPECIAL SERVICE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents		$ 14,424	$ 26,644	$ 251,793	$ 292,861
Restricted cash	$ 25				25
Investments	107,177		1,790,306	585,668	2,483,151
Investments in stock	505				505
Accounts receivable (net)	10,888			23,005	33,893
Property taxes receivable	178,824			26,413	205,237
Due from other governments	137,095	152,833	92,128	95,102	477,158
Total assets	$ 434,514	$ 167,257	$ 1,909,078	$ 981,981	$ 3,492,830
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash deficit	$ 218,242			$ 30,454	$ 248,696
Accounts payable	57,254	$ 19,930		61,855	139,039
Accrued liabilities	97,997				97,997
Total liabilities	$ 373,493	$ 19,930	$ ...	$ 92,309	$ 485,732
Fund balances:					
Reserved for:					
Class "B" Road				$ 309,796	$ 309,796
Daggett County Roads & Transportation S.S.D.			$ 1,359,633		1,359,633
Capital Projects				371,990	371,990
Unreserved	$ 61,021	$ 147,327	549,445	207,886	965,679
Total fund balances	$ 61,021	$ 147,327	$ 1,909,078	$ 889,672	$ 3,007,098
Total liabilities and fund balances	$ 434,514	$ 167,257	$ 1,909,078	$ 981,981	$ 3,492,830

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total fund balances - governmental fund types:		$ 3,007,098
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.		7,324,051
Land	$ 213,218	
Buidlings	2,915,548	
Improvements other than buildings	420,528	
Equipment	1,184,290	
Infastructure	2,590,467	
Total	$ 7,324,051	
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(2,364,357)
Bond interest payable	$ (7,836)	
G.O. bonds payable - current portion	(142,000)	
G.O. bonds payable - Due within one year	(2,067,000)	
Capital lease payable - current portion	(28,613)	
Compensated absenses	(118,908)	
Total	$ (2,364,357)	
Deferred tax revenue reduced and reported as income because revenue has been earned but was received over 60 days after the end of the fiscal year.		97,374
Net assets of government activities		$ 8,064,166

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL FUND	JAIL	DAGGETT COUNTY ROADS AND TRANSPORTATION SPECIAL SERVICE DISTRICT	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	$ 892,493		$ 27,026	$ 180,835	$ 1,100,354
Licenses and permits	30,016				30,016
Intergovernmental revenues	187,346		468,042	585,445	1,240,833
Charges for services	744,081	$ 1,728,817		151,937	2,624,835
Fines and forfeitures	69,093				69,093
Interest income	41,508		74,604		116,112
Other revenues	44,040	7,817	255	23,365	75,477
Total revenues	$ 2,008,577	$ 1,736,634	$ 569,927	$ 941,582	$ 5,256,720
EXPENDITURES:					
General government	$ 883,551			$ 124,319	$ 1,007,870
Public safety	1,163,217	$ 1,459,395		292,429	2,915,041
Public health	9,118				9,118
Highways and public improvements	2,181		$ 21,621	408,973	432,775
Parks, recreation, and public property	17,544			23,293	40,837
Community and economic development				105,534	105,534
Debt service:					
Principal retirement	20,678	144,179			164,857
Interest and fiscal charges	1,261	108,625			109,886
Total expenditures	$ 2,097,550	$ 1,712,199	$ 21,621	$ 954,548	$ 4,785,918
Excess revenues over (under) expenditures	$ (88,973)	$ 24,435	$ 548,306	$ (12,966)	$ 470,802
OTHER FINANCING SOURCES (USES):					
Transfers in				$ 68,000	$ 68,000
Transfers out	$ (38,000)	$ (30,000)			(68,000)
Capital lease financing	23,571				23,571
Total other financing sources (uses)	$ (14,429)	$ (30,000)	$ ...	$ 68,000	$ 23,571
Excess of revenues and other sources over (under) expenditures and other uses	$ (103,402)	$ (5,565)	$ 548,306	$ 55,034	$ 494,373
FUND BALANCES - beginning of year	164,423	152,892	1,360,772	834,638	2,512,725
FUND BALANCES - end of year	$ 61,021	$ 147,327	$ 1,909,078	$ 889,672	$ 3,007,098

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds		$ 494,373
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
General government	$ 17,700	
Public safety	81,921	
Highways and public improvements	94,436	
Total assets shown as expenditures	$ 194,057	
Less: depreciation	(377,985)	
Difference between expenditure and depreciation		(183,928)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		
Land transfer to Low Income Housing fund	$ (144,000)	
Sale of capital assets	(19,809)	
Total net effect of capital asset transactions		(163,809)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(21,973)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.		141,135
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (Compensated Absences)		(10,159)
Change in net assets of governmental activities		$ 255,639

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	DUTCH JOHN ENTERPRISE	LOW INCOME HOUSING	TOTAL BTAs
ASSETS			
Current assets:			
Cash and cash equivalents		$ 170,899	$ 170,899
Investments	$ 3,376,270		3,376,270
Accounts receivable (net)	50,304	165,998	216,302
Due from other funds	232,549		232,549
Due from other governments	5,400		5,400
Total current assets	$ 3,664,523	$ 336,897	$ 4,001,420
Capital Assets:			
Land and water rights	$ 12,526,786	$ 72,000	$ 12,598,786
Infrastructure	830,328		830,328
Buildings	568,628		568,628
Improvements	279,751		279,751
Machinery and equipment	488,060		488,060
Housing under construction		66,238	66,238
Less accumulated depreciation	(582,681)		(582,681)
Total capital assets	$ 14,110,872	$ 138,238	$ 14,249,110
Total assets	$ 17,775,395	$ 475,135	$ 18,250,530
LIABILITIES			
Cash deficit	$ 188,420		$ 188,420
Accounts payable	22,709	$ 16,358	39,067
Compensated Absences	4,603		4,603
Due to other funds		232,549	232,549
Total liabilities	$ 215,732	$ 248,907	$ 464,639
Net Assets:			
Investment in capital assets, net of related debt	$ 14,110,872	$ 138,238	$ 14,249,110
Unrestricted	3,448,791	87,990	3,536,781
Total net assets	$ 17,559,663	$ 226,228	$ 17,785,891

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISES FUNDS		
	DUTCH JOHN ENTERPRISE	LOW INCOME HOUSING	TOTAL BTAs
Operating revenues:			
Charges for services	$ 117,792	$ 756,253	$ 874,045
Other revenue	88,637		88,637
Total operating revenues	$ 206,429	$ 756,253	$ 962,682
Operating expenses:			
Salaries, wages and benefits	$ 107,154		$ 107,154
Fuel	9,163		9,163
Insurance	9,472		9,472
Maintenance	18,795		18,795
Supplies	76,302		76,302
Contractual services	121,957		121,957
Utilities	93,928		93,928
Miscellaneous	2,685		2,685
Travel	2,122		2,122
Cost of land/homes sold	51,688	$ 711,476	763,164
Depreciation	81,821		81,821
Total operating expenses	$ 575,087	$ 711,476	$ 1,286,563
Operating income (loss)	$ (368,658)	$ 44,777	$ (323,881)
Nonoperating revenues (expenses):			
Interest income	$ 181,703		$ 181,703
Interest (expense)		$ (12,549)	(12,549)
Property sales	51,688		51,688
Gain on sale of capital assets	5,700		5,700
Grant revenue	384,834	50,000	434,834
Total nonoperating revenues (expenses)	$ 623,925	$ 37,451	$ 661,376
Change in net assets	$ 255,267	$ 82,228	$ 337,495
Total net assets - beginning	17,304,396		17,304,396
Equity transfer		144,000	144,000
Total net assets - ending	$ 17,559,663	$ 226,228	$ 17,785,891

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	DUTCH JOHN ENTERPRISE	LOW INCOME HOUSING	TOTAL BTA's
Cash Flows From Operating Activities:			
Receipts from customers	$ 196,066	$ 605,611	$ 801,677
Payments to suppliers	(326,604)	(395,029)	(721,633)
Payments to employees	(105,219)		(105,219)
Net cash provided (used) by operating activities	$ (235,757)	$ 210,582	$ (25,175)
Cash Flows From Noncapital Financing Activities:			
Transfers to (from) other funds	$ (100,000)	$ 100,000	
Property sales	51,688		$ 51,688
Grant revenue	384,834	50,000	434,834
Net cash provided (used) by noncapital financing activities	$ 336,522	$ 150,000	$ 486,522
Cash Flows From Capital and Related Financing Activities:			
Principal payment on debt		$ (172,542)	$ (172,542)
Sale of capital assets	$ 21,650	5,763	27,413
Purchase of capital assets	(28,976)		(28,976)
Net cash provided (used) by capital and related financing activities	$ (7,326)	$ (166,779)	$ (174,105)
Cash Flows From Investing Activities:			
Interest and dividends received	$ 181,703		$ 181,703
Net cash provided (used) by investing activities	$ 181,703	$ ...	$ 181,703
Net increase (decrease) in cash and cash equivalents	$ 275,142	$ 193,803	$ 468,945
Cash and cash equivalents, January 1	2,912,708	(22,904)	2,889,804
Cash and cash equivalents, December 31	$ 3,187,850	$ 170,899	$ 3,358,749

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS		
	DUTCH JOHN ENTERPRISE	LOW INCOME HOUSING	TOTAL BTA's
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (368,658)	$ 44,777	$ (323,881)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	$ 81,821		$ 81,821
Prior year cost of lots	51,688	$ 321,141	372,829
(Increase) Decrease in accounts receivable	(11,998)	(165,998)	(177,996)
(Increase) Decrease in due from other governments	1,635	15,357	16,992
Increase (Decrease) in accounts payable	7,820	(4,695)	3,125
Increase (Decrease) in accrued liabilities	1,935		1,935
Total adjustments	$ 132,901	$ 165,805	$ 298,706
Net cash provided (used) by operating activities	$ (235,757)	$ 210,582	$ (25,175)

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	TRUST FUNDS					
	SEARCH & RESCUE	EMT FUNDRAISER	COURT FINES	INMATE COMMISSARY	BAIL	AGENCY FUND
ASSETS						
Cash and cash equivalents	$ 2,960		$ 12,825	$ 21	$ 13,938	$ 473,066
Receivables (net):						
Taxes						4,825
Due from other governments						63,705
Total assets	$ 2,960	$ ...	$ 12,825	$ 21	$ 13,938	$ 541,596
LIABILITIES						
Due governments and oganizations			$ 800		$ 82	
Deposits held for others						$ 541,596
Total liabilities	$ ...	$ ...	$ 800	$ ...	$ 82	$ 541,596
NET ASSETS						
Restricted	$ 2,960		$ 12,025	$ 21	$ 13,856	
Total net assets	$ 2,960	$ ...	$ 12,025	$ 21	$ 13,856	$ ...

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	TRUST FUNDS				
	SEARCH & RESCUE	EMT FUNDRAISER	COURT FINES	INMATE COMMISSARY	BAIL
Operating revenues:					
Charges for services					
Other revenues	$ 554		$ 80,286		$ 18,354
Total operating revenues	$ 554	$ ...	$ 80,286	$ ...	$ 18,354
Operating expenses:					
Supplies	$ 2,476	$ 1,897			
Miscellaneous			$ 73,469		$ 16,060
Total operating expenses	$ 2,476	$ 1,897	$ 73,469	$ ...	$ 16,060
Change in net assets	$ (1,922)	$ (1,897)	$ 6,817		$ 2,294
Total net assets - beginning	4,882	1,897	5,208	$ 21	11,562
Total net assets - ending	$ 2,960	$ ...	$ 12,025	$ 21	$ 13,856

"The notes to the financial statements are an integral part of this statement."

DAGGETT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of Daggett County have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

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

- The financial statements include:

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

  Financial statements prepared using full-accrual accounting for all the County's activities.

- A change in the fund financial statements to focus on the major funds.

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

A. Reporting Entity

Daggett County, Utah (the County) operates under a three-member County Commission form of government. The County provides the following services: Countywide services, such as those provided by elected officials (including assessing and collecting property taxes for all taxing districts in the County), health and human services to the unincorporated areas, such as fire and police protection, developmental services, streets, highways, planning and zoning, animal services and justice courts.

For financial reporting purposes, Daggett County has included all funds, organizations, account groups, agencies, boards and commissions. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

As required by generally accepted accounting principles, these financial statements present the County (Primary Government) and its component unit. The Component unit is included in the County's reporting entity because of the significance of its operational or financial relationships with the County. Complete financial statements as noted below, can be obtained from their respective administrative offices in Manila, Utah.

Blended Component Units

This component unit is an entity, which is legally separate from the County, but is so intertwined with County that it is, in substance, the same as the County and is reported as part of the County and blended into the appropriate funds.

Daggett County Road and Transportation Special Service District – The District was created by the adoption of a resolution establishing a service district. The District has been established as a separate body politic and corporate. The County appointed the board governing the District. The District was created for the purpose of building, maintaining or improving roads within the District's boundaries. The District was audited and their report was issued under separate cover. An audit report can be obtained from their administrative office in Manila, Utah.

Related Organizations

Daggett County Water and Sewer District - The District was created for the greatest beneficial use of water within the County. The County appoints the directors of the District.

B. Government-Wide and Fund Financial Accounting

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods and services and sales of land.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Direct expenses can include certain indirect costs (administrative overhead charges) that are automatically allocated to the various functions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Accounting (Continued)

Program revenues include: 1) charges to customers or applicants 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining governmental and enterprise funds are combined into a single column and reported as other (non-major) funds.

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

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental-wide Financial Statements -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 in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met. The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statement, rather than as another financing source. Amounts paid to reduce long-term debt of the County are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental Fund Financial Statements - 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. "Measurable" means that amounts can be reasonably determined within the current period. 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. For this purpose, the County 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. Exceptions to this general rule include accumulated unpaid compensated absences and principal and interest on general long-term debt which are recognized when due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The County reports the following major governmental funds:

- General Fund – The General Fund accounts for all activities not accounted for by other funds of the County. The principal source of revenue for this fund is taxes.
- Jail Fund – The Jail Fund is used to account for revenues and expenditures used to cover the cost of operating the Daggett County Jail facility.
- Daggett County Road and Transportation Special Service District – The District was created for the purpose of receiving mineral lease money and using these fund to construct, improve and repair County roads for the benefit for the citizens of the County.

The County's non-major governmental funds include other special revenue funds and capital project funds. The non-major special revenue funds account for specific revenue sources that are legally restricted to expenditures, for specified purposes. The capital project funds accounts for resources obtained and used for the acquisition, construction or improvement of certain capital facilities. Such resources are derived principally from proceeds of debt instruments and operating transfers from the County's General Fund.

Proprietary Fund Financial Statements – Proprietary fund types include an enterprise fund used to account for the goods and services provided by the Dutch John Fund to citizens who live in the Dutch John area and an enterprise fund for low income housing projects. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The county reports the following major proprietary funds:

- Dutch John Fund – The Dutch John Fund accounts for the resources collected and expenditures incurred for providing utility services to residents within the Dutch John area. The Dutch John Fund also accounts for funds received from the sale of land and expenditures used for infrastructure improvements.
- Low-Income Housing Fund – The Low-Income Housing Fund accounts for the resources collected and expenditures incurred during the construction and subsequent sale of housing to qualified individuals.

The County does not have any non-major proprietary funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Fund Financial Statements – Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other organizations or individuals. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The county has several types of fiduciary funds.

- Agency Funds – Agency Funds are used to account for assets held by the County as an agent for other governments, private organizations, or individuals. Agency Funds include Treasurer's Tax Collection fund. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- Trust Funds – The County has the following trust funds, Search and Rescue, EMT Fundraising, Court Fines, Inmate Commissary and Bail Fund, which it manages in a trustee capacity.

Private-Sector Standards of Accounting and Financial Reporting – The County generally applies to both the government-wide and proprietary fund statements all Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The County has elected not to follow private-sector guidance subsequent to that date.

Interfund Transactions – Interfund transactions represent transactions between different funds within the County. In general, interfund activity, including internal service fund transactions have been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenditures resulting from such transactions. Interfund services provided and used between different functional categories, however, have not been eliminated from the government-wide financial statement so as not to distort the direct costs and program revenues reported in the various functions concerned.

Transfers between governmental and business-type activities are reported at the net amount in the government-wide Statement of Activities. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets.

Program Revenues/Operating Revenues and Expenses From Non-Operating Items – Amounts reported as program revenues include 1) charges for fees, rental, material, supplies, or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Budgetary Data

Budgets are presented on the modified accrual basis of accounting for all governmental funds and on the accrual basis for proprietary funds. Budgets are not adopted for the agency fund. All annual appropriations lapse at fiscal year end. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. A formal budget is adopted for all funds, which require a budget: all general, special revenue, debt service, capital projects, and enterprise funds. The budget is a complete financial plan, which identifies all estimated revenues and all appropriations for expenditure for the year. The budget must balance, that is estimated revenues and other financing sources must equal appropriated expenditures.
2. By November 1, the County Auditor submits to the County Commission a proposed operating budget for the fiscal year for all funds beginning January 1.
3. The County Commission discusses and approves the budget and sets a date for a public hearing on the proposed budget.
4. A public hearing is held to obtain taxpayer comments and the budget is adopted.
5. The County Commission can transfer budgeted amounts between line items or departments by resolution, but any action that increases the total general fund budget must be approved by resolution only after a public hearing. (The budgets of other funds may be increased after giving public notice.)

E. Cash and Cash Equivalents and Investments

Cash and investment management in the County is administered by the County Treasurer in accordance with the Utah Money Management Act, Section 51-7 of the Utah code. The County'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 investments in the Public Treasurers' Investment Fund (PTIF).

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

Statements of cash flow are presented for proprietary funds under the direct method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation, comp-time and sick pay benefits. An estimate of sick leave liability, comp-time and vacation pay is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability.

Accrued unpaid vacation pay and other employee benefit amounts, which vest to the employee in the government-wide financial statements for governmental activities total $118,908 and for proprietary funds total $4,603.

H. Long-Term Obligations

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

I. Capital Assets

Capital assets include land, right of ways, buildings, improvements other than buildings, machinery and equipment, infrastructure (roads and bridges) and work-in-progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental or business activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least $5,000. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

When constructing capital assets, interest expense incurred relating to governmental or proprietary activities is not capitalized.

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statement of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	20-40 years
Improvements	15-20 years
Equipment	5-10 years
Infrastructure	40-50 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide and proprietary fund financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into these categories, investment in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

2. CAPITAL ASSETS

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

Primary Government Governmental activities:	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land	$ 253,276		$ 144,000	$ 109,276
Rights of Way	103,942			103,942
Total capital assets not being depreciated	$ 357,218	$ ...	$ 144,000	$ 213,218
Capital assets being depreciated:				
Buildings	$ 4,023,841			$ 4,023,841
Improvements other than buildings	637,978			637,978
Machinery and equipment	1,960,816	$ 194,057	$ 55,855	2,099,018
Infrastructure	5,406,223			5,406,223
Total capital assets being depreciated	$ 12,028,858	$ 194,057	$ 55,855	$ 12,167,060
Less accumulated depreciation for:				
Buildings	$ 1,005,287	$ 103,006		$ 1,108,293
Improvements other than buildings	201,090	16,360		217,450
Machinery and equipment	800,279	150,495	$ 36,046	914,728
Infrastructure	2,707,632	108,124		2,815,756
Total accumulated depreciation	$ 4,714,288	$ 377,985	$ 36,046	$ 5,056,227
Total capital assets, being depreciated, net	$ 7,314,570	$ (183,928)	$ 19,809	$ 7,110,833
Governmental activities capital assets, net	$ 7,671,788	$ (183,928)	$ 163,809	$ 7,324,051

2. CAPITAL ASSETS (Continued)

Business-type activities:	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital assets not being depreciated:				
Land	$11,818,463	$ 144,000	$ 146,197	$ 11,816,266
Water rights	782,520			782,520
Housing under construction	321,141	365,586	620,489	66,238
Total capital assets not being depreciated	$12,922,124	$ 509,586	$ 766,686	$ 12,665,024
Capital assets being depreciated:				
Buildings	$ 568,628			$ 568,628
Improvements other than buildings	279,751			279,751
Machinery and equipment	465,335	$ 28,975	$ 6,250	488,060
Infrastructure	830,328			830,328
Total capital assets being depreciated	$ 2,144,042	$ 28,975	$ 6,250	$ 2,166,767
Less accumulated depreciation for:				
Buildings	$ 89,675	$ 19,928		$ 109,603
Improvements other than buildings	30,481			30,481
Machinery and equipment	199,388	34,216	$ 260	233,344
Infrastructure	181,576	27,677		209,253
Total accumulated depreciation	$ 501,120	$ 81,821	$ 260	$ 582,681
Total capital assets, being depreciated, net	$ 1,642,922	$ (52,846)	$ 5,990	$ 1,584,086
Business-type activities capital assets, net	$14,565,046	$ 456,740	$ 772,676	$ 14,249,110

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 31,595
Public safety	186,087
Highways and public improvements	154,698
Parks and recreation	5,605
Total depreciation expense - governmental activities	$ 377,985
Business-type activities:	
Enterprise - Dutch John	$ 81,821
Total depreciation expense - Business-Type Activities	$ 81,821
Total depreciation expense	$ 459,806

3. SHORT-TERM DEBT

Short-term debt activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Business-type activities:				
Tax anticipation notes		$ 398,377	$ 398,377	
Loan payable Dutch John Fund	$ 120,000	100,000		$ 220,000
Low Income Housing finanacing	172,542		172,542	
Business-type activity short-term liabilities	$ 292,542	$ 498,377	$ 570,919	$ 220,000

4. LONG-TERM DEBT

Annual debt service requirements to maturity for all bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2007	$ 142,000	$ 99,943	$ 241,943
2008	147,000	93,995	240,995
2009	157,000	87,905	244,905
2010	162,000	81,320	243,320
2011	167,000	74,290	241,290
2012-2016	966,000	252,094	1,218,094
2017-2020	468,000	34,762	502,762
	$ 2,209,000	$ 724,309	$ 2,933,309

4. LONG TERM DEBT (Continued)

General Obligation Bonds – General Obligation Bonds payable at December 31, 2006, with their outstanding balances, are comprised of the following individual issues:

Governmental Activities:

General Obligation Bond, Series 1998A in the amount of $2,800,000, issued on October 1, 1998. Annual principal and interest payments are due each June 15 and December 15, and range from $168,242 to $225,390. The County entered into this agreement for the purpose of financing the cost of acquiring, constructing, improving, or renovating one or more public buildings and other public facilities for public safety including jail facilities along with equipment and furnishings. The loan bears interest in the amount ranging from 3% to 4.9%.	$ 2,095,000
General Obligation Bonds, Series 1998B in the amount of $150,000, issued on November 4, 1998. Annual principal and interest payments are due each July 1, and range from $9,580 to $10,600. The County entered into this agreement for the purpose of financing the cost of constructing, improving, or renovating public facilities and jail complex. The loan bears interest in the amount of 3%.	$ 114,000

Changes in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 2,345,000		$ 136,000	$ 2,209,000	$ 142,000
Capital Leases	33,900	$ 23,571	28,857	28,614	28,614
Compensated Absences	108,479	10,429		118,908	
Governmental activity long-term liabilities	$ 2,487,379	$ 34,000	$ 164,857	$ 2,356,522	$ 170,614

4. LONG-TERM DEBT (Continued)

Governmental Activity Debt

On October 1, 1998, the County issued General Obligation Bonds Series 1998A in the principal amount of $2,800,000 together with interest ranging from 3% to 4.9% per annum. The bonds begin accruing interest on the unpaid balance of the principal on October 1, 1998 with interest payments due on June 15 and December 15, beginning 1999. The interest and principal become payable beginning on December 15, 1999 and mature on December 15, 2018. The purpose for issuing the bonds was to acquire, construct, improve or renovate one or more public buildings and other public facilities for public safety including jail facilities along with equipment and furnishings. The repayment schedule is as follows:

Principal Payment Date	Principal	Interest	Total
June 15, 2007		$ 48,261	$ 48,261
December 15, 2007	$ 135,000	48,261	183,261
June 15, 2008		45,393	45,393
December 15, 2008	140,000	45,393	185,393
June 15, 2009		42,452	42,452
December 15, 2009	150,000	42,452	192,452
June 15, 2010		39,265	39,265
December 15, 2010	155,000	39,265	194,265
June 15, 2011		35,855	35,855
December 15, 2011	160,000	35,855	195,855
June 15, 2012		32,335	32,335
December 15, 2012	170,000	32,335	202,335
June 15, 2013		28,595	28,595
December 15, 2013	175,000	28,595	203,595
June 15, 2014		24,745	24,745
December 15, 2014	185,000	24,745	209,745
June 15, 2015		20,212	20,212
December 15, 2015	195,000	20,212	215,212
June 15, 2016		15,435	15,435
December 15, 2016	200,000	15,435	215,435
June 15, 2017		10,535	10,535
December 15, 2017	210,000	10,535	220,535
June 15, 2018		5,391	5,391
December 15, 2018	220,000	5,391	225,391
Total	$ 2,095,000	$ 696,948	$ 2,791,948

4. LONG-TERM DEBT (Continued)

Governmental Activity Debt (Continued)

On November 4, 1998, the County issued General Obligation Bonds Series 1998B in the principal amount of $150,000 together with interest at 3% per annum. Annual principal and interest payments are due each July 1 and range from $9,580 to $10,600. The County entered into this agreement for the purpose of financing the cost of constructing, improving, or renovating public facilities and jail complex. The first payment is due July1, 2001 and the final payment becomes due July 1, 2020. The repayment schedule is as follows:

Principal Payment Date	Principal	Interest	Total
July 1, 2007	$ 7,000	$ 3,420	$ 10,420
July 1, 2008	7,000	3,210	10,210
July 1, 2009	7,000	3,000	10,000
July 1, 2010	7,000	2,790	9,790
July 1, 2011	7,000	2,580	9,580
July 1, 2012	8,000	2,370	10,370
July 1, 2013	8,000	2,130	10,130
July 1, 2014	8,000	1,890	9,890
July 1, 2015	8,000	1,650	9,650
July 1, 2016	9,000	1,410	10,410
July 1, 2017	9,000	1,140	10,140
July 1, 2018	9,000	870	9,870
July 1, 2019	10,000	600	10,600
July 1, 2020	10,000	300	10,300
Total	$ 114,000	$ 27,360	$ 141,360

Capital Leases

During 2005 and 2006, the County entered into lease purchase agreements for the purpose of purchasing three public safety vehicles at a cost of $75,471. Depreciation on these vehicles are computed on a straight-line basis over the expected life of the assets of 5 years. The following is a schedule of future minimum lease payments, together with the present value of the minimum lease payments, as of December 31, 2006:

4. LONG-TERM DEBT (Continued)

Capital Leases (continued)

	Lease No. 1	Lease No. 2	Lease No. 3	Total
Vehicles	$ 25,950	$ 25,950	$ 23,571	$ 75,471
Less accumulated depreciation	9,731	9,731	2,716	22,178
Net assets	$ 16,219	$ 16,219	$ 20,855	$ 53,293
Schedule of future minimum lease payments and present value of the net minimum lease payments				
Due 2007	$ 9,407	$ 9,407	$ 11,802	$ 30,616
Less amount representing interest	636	636	731	2,003
Present value of net minimum lease payments	$ 8,771	$ 8,771	$ 11,071	$ 28,613

5. DEPOSITS AND INVESTMENTS

It is the County's policy to follow the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) (the Act) in handling its depository and investment transactions. The Act creates the Utah Money Management Council (the "Council"), a five-member body, appointed by the Governor of the State, which exercises oversight of public deposits and investments.

The County maintains a cash and investment pool that is used by all funds. Each major fund's portion of this pool, and the aggregate portion of the pool relating to non-major funds, is displayed on the Balance Sheet for Governmental Funds and the Statement of Net Assets for proprietary funds, respectively, as "cash and investments." Total non-fiduciary cash and investments are also reflected on the government-wide Statement of Net Assets. The fiduciary fund's portion is found on the Statement of Fiduciary Assets and Liabilities. Income from the investment of the pooled cash is allocated based on each fund's balance in the pool. In addition, cash is separately held by several funds.

Custodial Credit Risk-Deposits

The Act requires the depositing of public funds only in a "qualified depository" or a "permitted depository". A "qualified depository" is a Utah depository institution, which complies with capital ratios and public deposit limits established by rule of the Council and which has been certified by the State Commissioner of Financial Institutions for deposit of public funds. A "permitted depository" is an out-of-state financial institution that meets quality criteria established by rule of the Council. The custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be recovered.

5. DEPOSITS AND INVESTMENTS (Continued)

The County's deposits are insured up to $100,000, per account by the Federal Deposit Insurance Corporation. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Uninsured deposits are not collateralized nor are they required to be by State statute. At December 31, 2006, the bank balance of the County's deposits was $0.

Investments

Investments are recorded at fair value or at cost where there is no material difference from fair value based upon quoted market prices as of December 31, 2006, with the difference between the purchase price and market price being recorded as interest income.

The Act also defines the types of securities allowed as appropriate investments for the County and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories, certified dealers, or directly with the issuer of the securities.

Allowable investments under the Act include:

- Negotiable or nonnegotiable deposits of qualified depositories and permitted depositories.
- Repurchase agreements with qualified depositories or government security dealers certified by the director of the State Division of Securities as meeting quality criteria established by the State Money Management Council.
- Commercial paper, which is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard and Poor's, which have a remaining term of 270 days or less.
- Bankers' acceptances that are eligible for discount at a Federal reserve bank and which have a remaining term of 270 days or less.
- Obligations of the United States Treasury, including bills, notes, and bonds.
- Obligations other than mortgage pools and other mortgage derivative products issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National mortgage Association, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Federal Agriculture Mortgage Corporation, and Tennessee Valley Authority.
- Corporate obligations maturing in two years or less, which are rated "A" or higher by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard and Poor's.
- Shares or certificates in a money market mutual fund that comply with Rule 2a-7 of the Securities Exchange Commission.
- Utah Public Treasurer's Investment Fund.

5. DEPOSITS AND INVESTMENTS (Continued)

The carrying amount and fair value of the County's investments at December 31, 2006 is as follows:

	Carrying Amount and Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment Type					
Debt Securities					
Repurchase Agreements	$ 1,138,211	$ 1,138,211			
		$ 1,138,211	$ ...	$ ...	$ ...
Other Investments					
Investments in Utah Public Treasurer's Investment Pool	4,750,952				
Total investments	$ 5,889,163				

The Utah Public Treasurer's Investment Fund ("the Pool") is a voluntary external Local Government Investment Pool managed by the Utah State Treasurer to improve investment efficiency and yield. These monies are invested in securities permitted by the Act and contain no withdrawal restrictions other than timely notice of intent to withdraw an amount greater than $2 million. Investment activity of the State Treasurer in the management of the Pool is reviewed monthly by the Council and is audited by the Utah State Auditor. Monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

Government and agency securities consist of U.S. Treasury bonds, notes and bills, Federal Home notes and government mutual funds with underlying securities that are U.S. Treasury bonds, notes and bills.

Interest Rate Risk-Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The County's policy for managing interest rate risk is to comply with the Utah 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 and bankers' acceptances to 270 days or less and to 365 days or less for fixed rate negotiable deposits, and fixed rate corporate obligations. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

5. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County and Component Units follows the Utah Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk.

The County's rated debt investments as of December 31, 2006 were rated by Standard and Poor's and/or an equivalent nationally recognized statistical rating organization and the ratings are presented below using the Standard and Poor's rating scale.

	Carrying Amount and Fair Value	Quality Rating
Debt Securities		
Repurchase Agreements	$ 1,138,211	Unrated
Investments in Utah Public Treasurer's Investment Pool	4,750,952	Unrated

Custodial Credit Risk-Investment

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the County will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The County complies with the custody requirements of the Utah Money Management Act and Rules of the Money Management Council. All investment securities are required to be held by the public treasurer, in safekeeping by a bank or trust company, or in a book-entry-only record maintained by a securities depository, in the Federal Book Entry system or in the book-entry records of the issuer of the security in the name of the public entity. All investment securities are held in a qualified depository certified by the Commissioner of Financial Institutions as adhering to the rules of the Utah Money Management Council or in the book entry records of the issuer of the security.

The County's investments at December 31, 2006 were held by the County or in the County's name by the County's custodial banks except for repurchase agreements with qualified depositories totaling $615,410 where the underlying securities were uninsured and held by the investment's counterparty, not in the name of the County.

Concentration of Credit Risk-Investment

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The County's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5% and 10% depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the United States government and its agencies. The County complies with the concentration limits of Rule 17 of the Utah Money Management Act.

6. PENSION PLANS

Daggett County contributes to the Local Governmental Noncontributory Retirement System, and the Public Safety Contributory Systems, for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

In the Local Governmental Noncontributory Retirement System, Daggett County is required to contribute 11.09% of their annual covered salary for the period January 2006 through June 2006. From July 2006 through December 2006, Daggett County is required to contribute 11.59%. In the Public Safety Retirement System for employers with (without) Social Security coverage non-contributory division members are required to contribute 12.29% of their covered salary and Daggett County is required to contribute 7.95% of covered salaries during the period from January 2006 through June 2006 and 11.01% during the period July 2006 through December 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Daggett County's contributions to the Local Governmental Noncontributory Retirement System for the years ending December 31, 2006, 2005 and 2004 were $96,905, $95,638 and $71,576 respectively. For the Public Safety Contributory Retirement System for December 31, 2006, 2005 and 2004 contributions were $115,765, $111,798 and $100,117 respectively. The contributions were equal to the required contributions for each year.

The County also sponsors a defined contribution retirement plan under Internal revenue Code 401(k), which is administered by the Utah State Retirement Systems (Systems). The Plan covers all county employees who participate in the Systems and Utah Public Safety Retirement Systems retirement plans. Participants are fully vested in employer and employee contributions. The County's contributions for 2006, 2005 and 2004 were $51,860, $51,028 and $46,362 respectively. Participants may make tax deferred contributions through a salary reduction agreement up to a maximum of $13,000. The participants' contributions for the year ended December 31, 2006, 2005 and 2004 were $42,116, $36,866 and $36,919 respectively.

7. CONTINGENT LIABILITIES

Litigation

Daggett County has several pending lawsuits and notice of claims filed by different individuals. These cases are currently pending and the outcome is undeterminable at this time. The County has taken the position to vigorously contest these suits.

Closure and Post-Closure Cost Landfills

During 2003, Daggett County deeded their ½ interest in the landfill to the Town of Manila on the condition the land would continue to be used, operated, and maintained as a public landfill open and available to the residents of the unincorporated area of Daggett County. If the land is not maintained and operated as a public landfill, open and available to the residents of the unincorporated area of Daggett County, the County may reenter and repossess their ½ of the landfill. Currently, the County has no responsibility for closure and post-closure costs associated with the landfill.

8. PROPERTY TAX CALENDAR

The County adopts, by June 22, the proposed tax rates as part of its budget for the current year, which began January 1. If the proposed rates exceed a certified tax rate, a special public hearing must be held before the final rate is adopted. The County Assessor assesses the final tax on property in the County on the prior January 1. The taxes are payable to the county treasurer by the end of November and are remitted to the County by the county treasurer as collected.

9. BUDGET VARIANCE

During the year ended December 31, 2006, the County had an unfavorable variance when comparing their budget to actual expenditures as follows:

General Fund –	
Public Safety	($54,672)
Jail Fund –	
Public Safety	($46,997)

10. RISK MANAGEMENT

The County 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. In 1992, the County joined together with other counties in the State to form the Utah Association of Counties (UAC), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual premium to UAC for its general insurance coverage. The Agreement for Formation of the UAC provides that UAC will be self-sustaining through member premiums and will reinsure through commercial companies.

11. DEFICIT FUND BALANCE

Daggett County has over expended the funds available in the following funds:

Sheriff's Office UHP Fund
Economic Development
Homeland Security
Commissary Fund

12. OFF BALANCE SHEET RISK

Daggett County has bank accounts with balances substantially over $100,000. By maintaining accounts with the same bank with balances exceeding $100,000, the County has amounts that exceed the FDIC insurance limitation. Consequently, there is a potential loss to the extent that amounts are not insured.

13. FUND BALANCE RESERVATIONS/NET ASSETS RESTRICTIONS

The County has reserved the following fund balances of governmental funds:

Class "B" Road	$ 309,796
Capital Projects	371,990
D.C. Roads & Transportation	1,359,633

$309,796 has been reserved in the "B" Road Fund for the purpose of maintaining, improving, repairing or replacement of "B" roads in Daggett County.

$371,990 has been reserved in the Capital Project Fund for the purpose of acquiring or construction of capital assets need by the County.

$1,359,633 has been reserved in Daggett County's component unit – Daggett County Roads and Transportation for the purpose of maintaining, improving repairing and/or replacing roads in Daggett County.

The County has also restricted net assets in the Government-wide financial statements. The net assets restricted are the same amount that have been reserved in the fund financial statements except the net assets in Daggett County Roads and Transportation Fund is $1,457,007.

14. 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 period. Actual results could differ from those estimates.

15. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the government-wide financial statements in the Statement of Activities to properly reflect the mineral lease money that Daggett County Roads and Transportation Special Service District collected in 2006 but needed to be accrued as of December 31, 2005 but was not.

16. RECONCILIATION OF INTERFUND TRANSFERS

The following provides a reconciliation of all interfund transfers for the County:

	Transfers In:	
	Nonmajor Governmental Funds	Total Out
Transfer Out:		
General Fund	$ 38,000	$ 38,000
Jail	30,000	30,000
Total in	$ 68,000	$ 68,000

The principal purpose of the above interfund transfers was to move funds from the General and the Jail fund to other funds for the purpose of funding new equipment purchases and capital projects.

DAGGETT COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
Taxes	$ 791,673	$ 791,673	$ 892,493	$ 100,820
Licenses and permits	24,000	24,000	30,016	6,016
Intergovernmental	234,851	234,851	187,346	(47,505)
Charges for services	726,869	838,869	744,081	(94,788)
Fines and forfeitures	60,000	60,000	69,093	9,093
Interest income	10,000	10,000	41,508	31,508
Other revenues	61,900	41,400	44,040	2,640
Total revenues	$ 1,909,293	$ 2,000,793	$ 2,008,577	$ 7,784
EXPENDITURES				
General government	$ 939,599	$ 896,940	$ 883,551	$ 13,389
Public safety	1,132,415	1,108,545	1,163,217	(54,672)
Public health	20,300	20,300	9,118	11,182
Highways and public improvements	18,000	48,000	2,181	45,819
Parks, recreation and public property	22,900	25,309	17,544	7,765
Debt Service:				
Principal retirement	34,000	34,000	20,678	13,322
Interest and fiscal charges	1,500	1,500	1,261	239
Total expenditures	$ 2,168,714	$ 2,134,594	$ 2,097,550	$ 37,044
Excess of revenue over (under) expenditures	$ (259,421)	$ (133,801)	$ (88,973)	$ 44,828
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 112,000	$ 202,351		$ (202,351)
Transfers out	(56,000)	(68,550)	$ (38,000)	30,550
Capital lease financing			23,571	23,571
Total other financing sources (uses)	$ 56,000	$ 133,801	$ (14,429)	$ (148,230)
Excess of revenues and other sources over (under) expenditures and other uses	$ (203,421)		$ (103,402)	$ (103,402)
Fund balances - beginning of year	164,423	$ 164,423	164,423	164,423
Fund balances - end of year	$ (38,998)	$ 164,423	$ 61,021	$ 61,021

DAGGETT COUNTY
JAIL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL AMOUNTS	FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services	$ 1,731,272	$ 1,801,496	$ 1,728,817	$ (72,679)
Other revenues			7,817	7,817
Total revenues	$ 1,731,272	$ 1,801,496	$ 1,736,634	$ (64,862)
EXPENDITURES				
Public safety	$ 1,479,444	$ 1,413,374	$ 1,459,395	$ (46,021)
Debt Service:				
Principal retirement	145,000	145,000	144,179	821
Interest and fiscal charges	106,828	106,828	108,625	(1,797)
Total expenditures	$ 1,731,272	$ 1,665,202	$ 1,712,199	$ (46,997)
Excess of revenue over (under) expenditures	$ ...	$ 136,294	$ 24,435	$ (111,859)
OTHER FINANCING SOURCES (USES)				
Transfers out		$ (136,294)	$ (30,000)	$ (106,294)
Total other financing sources (uses)	$ ...	$ (136,294)	$ (30,000)	$ (106,294)
Excess of revenues and other sources over (under) expenditures and other uses			$ (5,565)	$ (5,565)
Fund balances - beginning of year			152,892	152,892
Fund balances - end of year	$ ...	$ ...	$ 147,327	$ 147,327

DAGGETT COUNTY
DAGGETT COUNTY ROADS & TRANSPORTATION
SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET AMOUNTS			
	ORIGINAL	FINAL	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
REVENUES				
Taxes	$ 26,000	$ 27,026	$ 27,026	
Intergovernmental	300,000	396,000	468,042	$ 72,042
Interest income	34,000	60,500	74,604	14,104
Miscellaneous income			255	255
Total revenues	$ 360,000	$ 483,526	$ 569,927	$ 86,401
EXPENDITURES				
Highways and public improvements	$ 206,000	$ 209,000	$ 21,621	$ 187,379
Total expenditures	$ 206,000	$ 209,000	$ 21,621	$ 187,379
Excess of revenue over (under) expenditures	$ 154,000	$ 274,526	$ 548,306	$ 273,780
Fund balances - beginning of year	1,360,772	1,360,772	1,360,772	
Fund balances - end of year	$ 1,514,772	$ 1,635,298	$ 1,909,078	$ 273,780

DAGGETT COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	SPECIAL REVENUE FUNDS								
	PREDATOR CONTROL	CLASS B ROADS	MUSEUM	SEARCH & RESCUE	TRANSIENT ROOM TAX	ASSESSING AND COLLECTING	SHERIFF'S OFFICE UHP	ECONOMIC DEVELOPMENT	HOMELAND SECURITY
ASSETS									
Cash									
Investments	$ 682	$ 206,775	$ 19,740	$ 10,343	$ 109,573	$ 657			$ 1,406
Receivables		18,366				26,413			
Due from other governmental units		89,042							2,438
Total assets	$ 682	$ 314,183	$ 19,740	$ 10,343	$ 109,573	$ 27,070	$ ...	$ ...	$ 3,844
LIABILITIES AND FUND BALANCES									
Liabilities:									
Cash deficit							$ 11,416	$ 15,782	
Accounts payable	$ 90	$ 4,387		$ 3,994		$ 1,275		1,399	$ 23,884
Total liabilities	$ 90	$ 4,387	$ ...	$ 3,994	$ ...	$ 1,275	$ 11,416	$ 17,181	$ 23,884
Fund Balances:									
Reserved for:									
Class "B" roads		$ 309,796							
Capital projects									
Unreserved	$ 592		$ 19,740	$ 6,349	$ 109,573	$ 25,795	$ (11,416)	$ (17,181)	$ (20,040)
Total fund balances	$ 592	$ 309,796	$ 19,740	$ 6,349	$ 109,573	$ 25,795	$ (11,416)	$ (17,181)	$ (20,040)
Total liabilities and fund balances	$ 682	$ 314,183	$ 19,740	$ 10,343	$ 109,573	$ 27,070	$ ...	$ ...	$ 3,844

DAGGETT COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND				
	COMMISSARY	PARK	RODEO	GLOBAL POSITIONING SYSTEM	GEO INFO SYSTEM	AMBULANCE	COMPUTER	BUILDING	JAIL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS										
Cash		$ 16,030						$ 235,763		$ 251,793
Investments		34,678	$ 1,579	$ 34,882	$ 29,126	$ 64,794	$ 14,245	29,188	$ 28,000	585,668
Receivables	$ 4,639									49,418
Due from other governmental units	3,622									95,102
Total assets	$ 8,261	$ 50,708	$ 1,579	$ 34,882	$ 29,126	$ 64,794	$ 14,245	$ 264,951	$ 28,000	$ 981,981
LIABILITIES AND FUND BALANCES										
Liabilities:										
Cash deficit	$ 3,256									$ 30,454
Accounts payable	12,148	$ 238			$ 14,440					61,855
Total liabilities	$ 15,404	$ 238	$ ...	$ ...	$ 14,440	$ ...	$ ...	$ ...	$ ...	$ 92,309
Fund Balances:										
Reserved for:										
Class "B" roads										$ 309,796
Capital projects						$ 64,794	$ 14,245	$ 264,951	$ 28,000	371,990
Unreserved	$ (7,143)	$ 50,470	$ 1,579	$ 34,882	$ 14,686					207,886
Total fund balances	$ (7,143)	$ 50,470	$ 1,579	$ 34,882	$ 14,686	$ 64,794	$ 14,245	$ 264,951	$ 28,000	$ 889,672
Total liabilities and fund balances	$ 8,261	$ 50,708	$ 1,579	$ 34,882	$ 29,126	$ 64,794	$ 14,245	$ 264,951	$ 28,000	$ 981,981

DAGGETT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	SPECIAL REVENUE FUNDS								
	PREDATOR CONTROL	CLASS B ROADS	MUSEUM	SEARCH & RESCUE	TRANSIENT ROOM TAX	ASSESSING AND COLLECTING	SHERIFF'S OFFICE UHP	ECONOMIC DEVELOPMENT	HOMELAND SECURITY
REVENUES:									
Taxes					$ 65,149	$ 102,867			
Intergovernmental	$ 3,035	$ 466,424		$ 874			$ 9,786	$ 25,535	$ 49,191
Charges for services									
Miscellaneous	1,500	10,558	$ 80	4,273				4,834	
Total revenues	$ 4,535	$ 476,982	$ 80	$ 5,147	$ 65,149	$ 102,867	$ 9,786	$ 30,369	$ 49,191
EXPENDITURES:									
General government						$ 77,072			
Public safety	$ 9,740			$ 8,328			$ 19,547		$ 90,128
Highways and public improvements		$ 408,973							
Parks, recreation and public property			$ 114						
Community and economic development					$ 48,733			$ 56,801	
Total expenditures	$ 9,740	$ 408,973	$ 114	$ 8,328	$ 48,733	$ 77,072	$ 19,547	$ 56,801	$ 90,128
Excess of revenues over (under) expenditures	$ (5,205)	$ 68,009	$ (34)	$ (3,181)	$ 16,416	$ 25,795	$ (9,761)	$ (26,432)	$ (40,937)
Other financing sources (uses):									
Transfers in	$ 5,000		$ 4,000	$ 1,000					
Total other financing sources (uses)	$ 5,000	$ ...	$ 4,000	$ 1,000	$ ...	$ ...	$ ...	$ ...	$ ...
Excess of revenues and other sources over (under) expenditures and other uses	$ (205)	$ 68,009	$ 3,966	$ (2,181)	$ 16,416	$ 25,795	$ (9,761)	$ (26,432)	$ (40,937)
Fund Balances - Beginning of year	797	241,787	15,774	8,530	93,157		(1,655)	9,251	20,897
Fund Balances - End of year	$ 592	$ 309,796	$ 19,740	$ 6,349	$ 109,573	$ 25,795	$ (11,416)	$ (17,181)	$ (20,040)

DAGGETT COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUND				
	COMMISSARY	PARK	RODEO	GLOBAL POSITIONING SYSTEM	GEO INFO SYSTEM	AMBULANCE	COMPUTER	BUILDING	JAIL	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:										
Taxes		$ 12,819								$ 180,835
Intergovernmental					$ 30,600					585,445
Charges for services	$ 151,937									151,937
Miscellaneous		100	$ 2,020							23,365
Total revenues	$ 151,937	$ 12,919	$ 2,020	$ ...	$ 30,600	$ ...	$ ...	$ ...	$ ...	$ 941,582
EXPENDITURES:										
General government					$ 45,855		$ 1,392			$ 124,319
Public safety	$ 162,686								$ 2,000	292,429
Highways and public improvements										408,973
Parks, recreation and public property		$ 22,738	$ 441							23,293
Community and economic development										105,534
Total expenditures	$ 162,686	$ 22,738	$ 441	$ ...	$ 45,855	$ ...	$ 1,392	$ ...	$ 2,000	$ 954,548
Excess of revenues over (under) expenditures	$ (10,749)	$ (9,819)	$ 1,579	$ ...	$ (15,255)	$ ...	$ (1,392)	$ ...	$ (2,000)	$ (12,966)
Other financing sources (uses):										
Transfers in					$ 2,000	$ 5,000	$ 5,000	$ 16,000	$ 30,000	$ 68,000
Total other financing sources (uses)	$ ...	$ ...	$ ...	$ ...	$ 2,000	$ 5,000	$ 5,000	$ 16,000	$ 30,000	$ 68,000
Excess of revenues and other sources over (under) expenditures and other uses	$ (10,749)	$ (9,819)	$ 1,579		$ (13,255)	$ 5,000	$ 3,608	$ 16,000	$ 28,000	$ 55,034
Fund Balances - Beginning of year	3,606	60,289		$ 34,882	27,941	59,794	10,637	248,951		834,638
Fund Balances - End of year	$ (7,143)	$ 50,470	$ 1,579	$ 34,882	$ 14,686	$ 64,794	$ 14,245	$ 264,951	$ 28,000	$ 889,672

DAGGETT COUNTY
SCHEDULE OF CURRENT TAXES LEVIED, COLLECTED AND TREASURER'S RELIEF
FOR THE 2006 PROPERTY TAX YEAR

TAX UNITS	TAXABLE VALUE	TAX RATE	TOTAL TAXES LEVIED	TREASURER'S RELIEF			TOTAL RELIEF	NET TAX COLLECTED	
				UNPAID TAXES	ABATEMENTS	OTHER		AMOUNT	PERCENT
Daggett County	198,368,205	0.003010	$ 597,122	$ 12,805	$ 2,422	$ 746	$ 15,973	$ 581,149	97.33%
Daggett County State Assessing & Collection	198,368,205	0.000141	28,045	600	113	60	773	27,272	97.24%
Daggett County Co. Assessing & Collection	198,368,205	0.000304	60,329	1,294	245	67	1,606	58,723	97.34%
Daggett County School District - General	198,368,205	0.002609	517,468	11,114	2,102	406	13,622	503,846	97.37%
Daggett County School District - Basic	198,368,205	0.001539	305,222	6,536	1,236	511	8,283	296,939	97.29%
Manila Town	35,735,625	0.000817	29,197	1,862	272	69	2,203	26,994	92.45%
Daggett Water & Sewer District	26,292,770	0.000583	15,331	752	126	(4)	874	14,457	94.30%
Daggett County Mosquito District	64,820,305	0.000284	18,395	1,012	159	(8)	1,163	17,232	93.68%
Daggett County Service Area	2,869,100	0.001123	3,223	94			94	3,129	97.08%
Total			$ 1,574,332	$ 36,069	$ 6,675	$ 1,847	$ 44,591	$1,529,741	

	OTHER COLLECTIONS				
				DELINQUENT	
	FEE IN LIEU	AGE-BASED	MISC. COLLECTION	TAXES	INTEREST AND PENALTY
Daggett County	$ 15,227		$ 36,819	$ 42,565	$ 10,069
Daggett County State Assessing & Collection	869		230	2,433	116
Daggett County Co. Assessing & Collection	1,508		503	3,394	115
Daggett County School District - General	11,913		24,075	34,546	1,723
Daggett County School District - Basic	8,642		14,635	24,298	1,171
Manila Town	829		243	637	49
Daggett Water & Sewer District	510		131	553	54
Daggett County Mosquito District	542		155	488	47
Daggett County Service Area	131		28	59	2
Total	$ 40,171	$ ...	$ 76,819	$ 108,973	$ 13,346

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

Board of County Commissioners
Daggett County
Manila, Utah 84046

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, the business-type activities, each major fund and the aggregate remaining fund information of Daggett County for the year ended December 31, 2006, and have issued our report thereon dated May 21, 2007. As part of our audit, we have audited the County's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs, as required by the State of Utah's Legal Compliance Audit Guide, for the year ended December 31, 2006. The County received the following major State assistance programs from the State of Utah.

Class "B" Road Allotment (Department of Transportation)
Liquor Law Enforcement (Utah State Tax Commission)

The County also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the County's financial statements.)

Division of Wildlife Resources (State of Utah DWR)
EMS Ambulance Grant (Department of Health & Human Services)
Library Development Grant (Department of Community and Economic Development)
RS2477 Recordation Process (Department of Community and Economic Development)
Small Wood Utilization Grant (Department of Community and Economic Development)
JAG Grant (Department of Health & Human Services)
Local Emergency Planning Grant (Department of Community and Economic Development)
Predator Control (State Division of Finance)
CIB Grant (Department of Community and Economic Development)
Mineral Lease Revenue (Utah Department of Transportation)

Our audit also included testwork on the County's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Justice Courts
Cash Management	B & C Roads
Purchasing Requirements	Statement of Taxes Charged, Grant Collected and Disbursed
Budgetary Compliance	Truth in Taxation and Property Tax Limitations
Other Compliance Requirements	Uniform Building Code
Assessing and Collecting of Property Taxes	

The management of the County is responsible for the County'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 those 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Daggett County complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2006.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

May 21, 2007

DAGGETT COUNTY
SCHEDULE OF TRANSIENT ROOM TAX EXPENDITURE BREAKDOWN
AUDIT DECEMBER 31, 2006

SUMMARY OF EXPENDITURES

ESTABLISHING AND PROMOTING:

Tourism	$	37,571
Recreation		11,162
Total Transient Room Tax Expenditures	$	48,733

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Board of County Commissioners
Daggett County
Manila, Utah 84046

RE: Report on Compliance 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 Daggett County as of and for the year ended December 31, 2006, which collectively comprise Daggett County's basic financial statements and have issued our report thereon dated May 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County'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 be prevented or detected by the County's internal control.

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

We noted certain matters that we reported to management of Daggett County in a separate letter dated May 21, 2007.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies 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

May 21, 2007

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Board of County Commissioners
Daggett County
Manila, Utah 84046

RE: Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Daggett County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006.

The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Daggett County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management and others within the organization, County Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

May 21, 2007

DAGGETT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Daggett County.

2. There were no significant deficiencies or material weaknesses disclosed in internal control by the audit over the financial statements.

3. No instances of noncompliance material to the financial statements of Daggett County were disclosed by the audit.

4. There were no significant deficiencies or material weaknesses in internal control over major programs disclosed by the audit.

5. The auditors' report on compliance, for the major federal award programs, for Daggett County expresses an unqualified opinion.

6. The audit of Daggett County's major programs disclosed no audit findings relating to major programs that the auditor is required to report.

7. The program tested as major programs included:

Program	CFDA#
US Bureau of Reclamation	15.BBY
US Bureau of Reclamation Man Power	15.503

8. The threshold for distinguishing Type A and B programs was $300,000.

9. Daggett County was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

DAGGETT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JANUARY 1, 2006	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT DECEMBER 31, 2006
U.S. DEPARTMENT OF AGRICULTURE:							
Direct Program:							
SISK Cooperative Agr.	10.664		$ 60,000		$ 6,629	$ 6,629	
SISK Cooperative Agr.	10.664		60,000		47,640	47,640	
Pass through State of Utah:							
National Forest - Dependent Rural Communities	10.670				31,852	31,852	
Total U.S. Department of Agriculture			$ 120,000	$ ...	$ 86,121	$ 86,121	$ ...
U.S. DEPARTMENT OF JUSTICE							
Direct Program:							
Cops Universal Hiring Program	16.710		$ 75,000	$ ...	$ 9,786	$ 9,786	$ ...
U.S. DEPARTMENT OF THE INTERIOR							
Direct Program:							
Bureau of Reclamation	15.503		$ 493,472		$ 329,896	$ 329,896 *	
Bureau of Reclamation	15.503		493,472		134,886	134,886 *	
Bureau of Reclamation - Dutch John	15.BBY		4,500,000		359,495	359,495 *	
Total U.S. Department of the Interior			$ 5,486,944	$ ...	$ 824,277	$ 824,277	$ ...

DAGGETT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JANUARY 1, 2006	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT DECEMBER 31, 2006
U.S. DEPARTMENT OF HOMELAND SECURITY							
Pass through State of Utah:							
Homeland Security Grant Program	97.067		$ 199,487		$ 43,139	$ 43,139	
Homeland Security Grant Program	97.067				6,052	6,052	
Total U.S. Department of Homeland Security			$ 199,487	$ ...	$ 49,191	$ 49,191	$ ...
ELECTION ASSISTANCE COMMISSION							
Pass through State of Utah:							
Help America Vote Act	90.401		$ 26,600	$ ...	$ 26,600	$ 26,600	$ ...
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Pass through State of Utah:							
FEMA	83.552				$ 4,500	$ 4,500	
Total Federal Emergency Management Agency			$ ...	$ ...	$ 4,500	$ 4,500	$ ...
TOTAL FEDERAL ASSISTANCE			$ 5,908,031	$ ...	$ 1,000,475	$ 1,000,475	$ ...

* Major Program

DAGGETT COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Daggett County. The County reporting entity is defined in Note 1 to the basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting for expenses of the County, which is described in Note 1 of the financial statements.

DAGGETT COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2006

Daggett County had no prior audit findings that were required to be reported, in the previous audited financial statements.

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

September 10, 2007

Daggett County
County Commissioners
Manila, Utah 84046

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of accounting procedures and internal controls in connection with our examination of the basic financial statements of Daggett County for the year ended December 31, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

STATE OF UTAH LEGAL COMPLIANCE

Deficit Fund Balances

According to State of Utah law, Counties are not allowed to spend more funds than what they receive, by doing so, they create a deficit in the department or fund. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of available funds, is illegally created debt in violation of the Utah Constitution. During the audit, we found the Sheriff's Office UHP, Economic Development, Homeland Security, and Commissary Funds had deficit fund balances for the year ending December 31, 2006.

We recommend the County take the necessary steps to remove the deficit during their next calendar year.

County Response

The County will review the fund mentioned and take the necessary steps to determine if a deficit does exist and if so, make changes to eliminate the deficit.

C-500 Reports

Utah Code Section 51-4-2 requires that each County that has collected funds that are due to the State shall, on or before the tenth day of each month, pay all of those funds that were receipted during the last month.

From examination of the C-500 reports, it was found that two out of the twelve reports filed during the year were filed late. We recommend the County comply with State of Utah requirement and make sure reports are filed on a timely basis.

County's Response

The County will review the filing due dates with employees and make sure C-500 reports are filed on a timely basis. .

Budget Compliance

Utah law prohibits officers and employees of Counties to incur expenditures or encumbrances in excess of total appropriations for any department in the General Fund by fund for other fund types. The County has over spent the following department in the General Fund and also over spent the Jail Fund.

General Fund	
Public Safety	$(54,672)
Jail Fund	(46,997)

We recommend the County periodically review the expenditures and encumbrances with the adopted budget to make sure expenditures do not exceed approved spending limits.

County's Response

The County is aware of the importance of staying within spending limits. Over expenditures in departments and the Jail fund arise from the accrual of accounts payable at the end of the year. The County will review expenditures as compared with budgets in the future.

SUMMARY

We feel the accounting procedures and State Compliance issues mentioned above are areas where the County can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

Smuin, Rich & Marsing