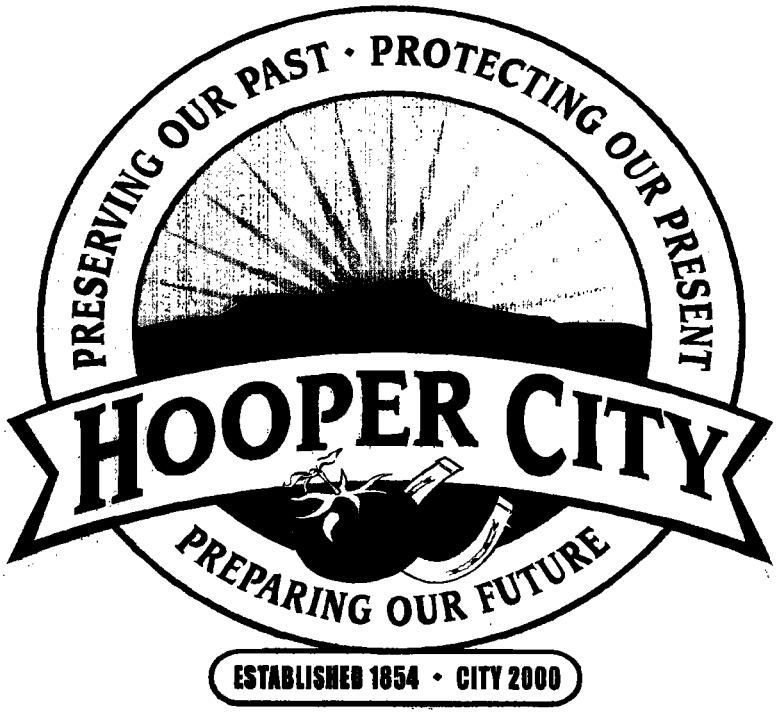
HOOPER CITY



Financial Statements & Supplementary Data

For the Year Ended June 30, 2006

HOOPER CITY, UTAH

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Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
Hooper City, Utah
Hooper, UT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Hooper City, Utah as of and for the year ended June 30, 2006, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of June 30, 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.

257 37th Street, Ogden, Utah 84405 TEL: (801) 399-5837 (801) 621-0721 FAX: (801) 399-5830

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 on pages 3 through 9 and budgetary comparison information on page 26 are not a required part of the financial statements, but are supplementary information required by the 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 supplemental 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 Hooper City's basic financial statements. The schedule of impact fees described in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of impact fees has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Davis, Chase & Associates

December 11, 2006

HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2006

The following is a discussion and analysis of Hooper City's financial performance and activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements that follow.

HIGHLIGHTS

Government-wide

- The City's combined net assets increased $4,916,640 or 147.1 percent over the prior year. 67.2 percent of that increase, or $3,304,798, was infrastructure contributed by local developers. This infrastructure consists of sanitary sewer, street improvements, and storm and land drainage. Continued construction costs for the City's wastewater system as well as related grants, and impact fees were a significant part of the remaining increase.

- With the receipt of $3,000,000 in Division of Water Quality Loan funds this year, the construction of the City's wastewater system has continued during 2006 with the pipe for the vacuum system currently being placed.

Governmental Fund Level

- Fund balances in the City's governmental funds decreased $580,533 or 30.2 percent from the prior year due primarily to previously reserved sewer impact fees and loan proceeds being transferred to the new Sewer Fund.

- Total revenues were 44.4 percent lower than the prior year due to grant funds received in the prior year. Growth in impact fees, sales taxes, and building permits were shown during the year. The City has experienced substantial growth from the already growing trend over the past years.

Proprietary Fund

- During fiscal year 2006, the City established a proprietary fund to account for sewer operations. 24.2 percent of the infrastructure contributed by local developers was related to the sewer project and was recorded in the proprietary fund. Current year sewer impact fees were also accounted for in this fund in the amount of $408,733. Capital contributions were recorded in the sewer fund in the amount of $1,481,338.

Long-term Debt

- The City's long-term debt increased from $111,439 to $3,055,908 due to the receipt of $3,000,000 of an authorized $12,000,000 long-term loan from the Utah Division of Water Quality for the building of the city's wastewater system, along with a payment of capital lease principal made in the amount of $8,455 on the maintenance truck loan. A $55,000 long-term loan from 2003 was reclassified in 2006 as a Department of Water Quality Grant. Compensated absences payable were recorded this year in the amount of $7,924.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information concerning budgetary comparisons.

Government-wide Statements - Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the City's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the City's net assets - the difference between total assets and total liabilities - and how they have changed from the prior year. Over time, increases and decreases in net assets measure whether the City's overall financial condition is getting better or worse. In evaluating the government's overall condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its capital assets and infrastructure.

The government-wide statements distinguish the programs of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). Hooper City's governmental activities include general administration, public safety, parks, highways and public improvements, community development, and interest on long-term debt. The City has one business-type activity which is related to the operation and maintenance of the City's wastewater system.

Fund Financial Statements - Reporting the City's Most Significant Funds
The fund financial statements provide detailed information about individual major funds, and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach:

Governmental Funds – The majority of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the City's financial position helps determine whether the city has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds – The City uses an *Enterprise Fund* to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has one enterprise fund, the Sewer Fund.

Reconciliation Between Government-wide and Fund Statements
The financial statements include schedules that reconcile the amounts reported for governmental activities on the government-wide statements (full-accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements:

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Long-term debt proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.

Notes to the Financial Statements
The notes provide additional schedules and information that are essential for a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information
Hooper City adopts an annual budget for its governmental funds as well as its proprietary fund. Budgetary comparison schedules for the City's General and Capital Projects funds are included.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets
A large component of the City's net assets, 78.0 percent, reflects investments in capital assets (land, buildings, improvements, infrastructure, construction in progress, and equipment) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Net assets of governmental activities increased $2,246,025 or 67.2 percent over last year. Fiscal year 2006 is the first year net assets are reported for business-type activities in the amount of $2,670,615.

Restricted net assets comprise 18.6 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 3.4 percent of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

The following table compares the City's revenues and expenses for fiscal year 2006:

Hooper City, Utah
Net Assets
June 30, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	$ 1,492,666	2,211,983	$ 3,280,879	-	$ 4,773,545	2,211,983
Capital Assets	4,232,653	1,469,374	2,435,554	-	6,668,207	1,469,374
Total Assets	5,725,319	3,681,357	5,716,433	-	11,441,752	3,681,357
Current and Other Liabilities	80,981	227,513	45,818	-	126,799	227,513
Long-term Liabilities	55,908	111,439	3,000,000	-	3,055,908	111,439
Total Liabilities	136,889	338,952	3,045,818	-	3,182,707	338,952
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,184,666	1,357,935	2,259,123	-	6,443,789	1,357,935
Restricted	1,129,470	1,838,889	402,141	-	1,531,611	1,838,889
Unrestricted	274,294	145,581	9,351	-	283,645	145,581
Total Net Assets	$ 5,588,430	3,342,405	$ 2,670,615	-	$ 8,259,045	3,342,405
Percentage change from prior year:	67.2%	89.0%	-	-	147.1%	89.0%

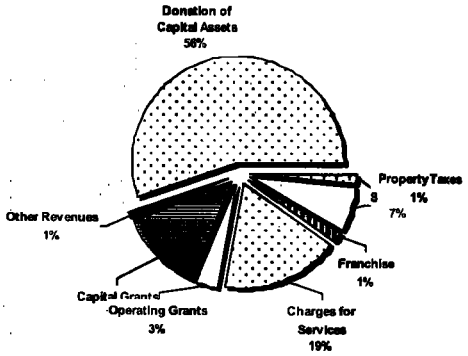
Change in Net Assets

Total tax revenues showed a substantial increase due to additional sales tax received where the City has experienced increased population and economic growth. Net assets for governmental activities increased this year due to donations of capital asset infrastructure as well as collections of park impact fees and building inspection fees. Impact fees increased 17% as a whole, but 69.6 percent of total impact fees were sewer-related and were recorded in business-type activities. All revenue increases are indicators of the rapidly growing population and development in the City.

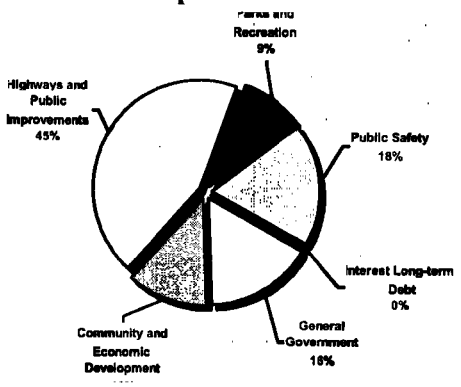
Total expenses increased 35.7 percent due in large part to the first year of depreciation of the capital infrastructure in Community and Economic Development, and an increase in employee wages and benefits as well as increased maintenance costs for general areas in Parks and Highways & Public Improvements. There was also a substantial increase in Public Safety Costs.

HOOPER CITY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2006

Hooper City
Total Revenues - 2006



Hooper City
Total Expenses - 2006



Hooper City, Utah
Changes in Net Assets
For the Year Ended June 30, 2006

	Governmental Activities		Business-type Activities		TOTAL	TOTAL	Total Percent Change
	2006	2005	2006	2005	2006	2005	2005-2006
Revenues							
General Revenues							
Taxes	$577,109	$542,584	-	-	$577,109	$542,584	19.9%
Other Revenues/(Expenses)	51,998	31,459	24,834	-	76,832	31,459	144.2%
Donation of Capital Assets	2,506,459	-	798,339	-	3,304,798	-	100.0%
Program Revenues							
Charges for Services	648,701	927,871	437,221	-	1,085,922	927,871	17.0%
Operating Grants	207,980	161,233	-	-	207,980	161,233	29.0%
Capital Grants	-	373,002	737,999	-	737,999	373,002	-30.1%
Total Revenues	3,992,247	2,036,149	1,998,393	-	5,990,640	2,036,149	125.4%
Expenses							
General and Administration	166,833	165,704	43,439	-	210,272	165,704	26.9%
Public Safety	189,881	138,807	-	-	189,881	138,807	36.8%
Highways and Public Improvement	453,431	296,967	-	-	453,431	296,967	52.7%
Parks	94,511	126,652	-	-	94,511	126,652	-25.4%
Community and Economic Development	124,092	59,541	-	-	124,092	59,541	108.4%
Interest on Long-term Debt	1,813	3,804	-	-	1,813	3,804	-52.3%
Total Expenses	1,030,561	791,475	43,439	-	1,074,000	791,475	26.3%
Transfers In (Out)	(715,661)	-	715,661	-	-	-	0.0%
Change in Net Assets	2,246,025	1,244,674	2,670,615	-	4,916,640	1,244,674	163.4%
Net Assets - Beginning (Restated)	3,342,405	2,097,731	-	-	3,342,405	2,097,731	59.3%
Net Assets - Ending	$5,588,430	$ 3,342,405	$2,670,615	-	$8,259,045	$3,342,405	108.4%

Governmental Activities

The table below shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. For 2006, these programs generated $856,681 or 83.1 percent of their total expenses through charges for services and grants. Taxes and other general revenues provided an additional $629,107 for future program expenses.

Hooper City, Utah
Net Cost of Governmental Activities
For Year Ended June 30, 2006

	Total Program Expenses	Less Program Revenues	Net Program Costs		Program Revenues as a Percentage of Total Expense	
	2006	2006	2006	2005	2006	2005
Activities						
General Government	$ 166,833	$ 8,039	$ 158,794	$ 160,215	4.8%	3.3%
Public Safety	189,881	14,452	175,429	123,365	7.6%	11.1%
Highways and Public Improvement	453,431	199,578	253,853	146,352	44.0%	52.2%
Parks and Recreation	94,511	7,255	87,256	112,923	7.7%	4.0%
Community and Economic Development	124,092	627,357	(503,265)	(1,900,288)	505.6%	3291.6%
Interest on Long-term Debt	1,813	-	1,813	3,804	0.0%	0.0%
Total Governmental Activities	$ 1,030,561	$ 856,681	$ 173,880	$ (1,353,629)	83.1%	271.0%

Business-type Activities

2006 was the first full year of operations for the Sewer Fund. Total revenues were $1,998,393 of which 21.9 percent was impact fees and charges for services. 36.9 percent was related to capital assets transferred into the Sewer Fund from the Capital Projects fund, and 40.0 percent was capital infrastructure donated by developers. All current year expenses are related to administration and maintenance allocations, utility, and depreciation expense.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

Hooper City added $5,480,286 in new capital assets during 2006. Of that total, Governmental Activities added $369,562 in construction in progress for the new public works building; $107,732 in parks and trails improvements; $2,506,459 in contributed infrastructure; and $51,000 in new equipment. With accumulated depreciation of $108,741, Government activities added a net total of $2,926,012 to the City's governmental capital assets. Business-type activities added $1,647,194 for the new sewer system construction in progress, and $798,339 in contributed infrastructure. With accumulated depreciation of $9,979, Business-type activities added a total of $2,435,554 to 2006 new net capital assets.

The City holds $6,668,207 in Net Capital Assets. Of those $4,232,653 or 63.5 percent is held in Governmental Activity net capital assets. Business–type activities hold $2,435,554 or 36.5 percent of total net Capital Assets. More information about capital assets is included in Note 3.

Long-term Debt

In 2004, Hooper City financed a road maintenance truck with Capital Lease proceeds in the amount of $64,561. Principal on the obligation was paid in the amount of $8,455 in 2006. Long-term debt consisted of the following at June 30, 2006:

Hooper City, Utah
Long-term Liabilities
June 30, 2006

	Governmental Activities		Business-type Activities		TOTAL		Total Percent Change 2005-2006
	2006	2005	2006	2005	2006	2005	
Capital Leases	$ 47,984	$ 56,439	$ -	$ -	$ 47,984	$ 56,439	-14.9%
Loan - Water Quality Grant	-	55,000	3,000,000	-	3,000,000	55,000	5354.5%
Compensated Absences	7,924	-	-	-	7,924	-	100.0%
Total	$ 55,908	$ 111,439	$ 3,000,000	$ -	$ 3,055,908	$ 111,439	2642.2%

During 2005, the City received authorization for a $10,000,000 loan during the fiscal year from the Utah State Division of Water Quality. That authorization was increased to $12,000,000 in 2006. $3,000,000 of that loan was received during 2006 for the construction of the City's new sewer system. It should be noted that $55,000 received during 2003 was reclassified as a grant during 2006.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

At June 30, 2006 Hooper City's governmental funds reported combined fund balances of $1,342,537. Of this amount, $1,129,470 or 84.1 percent is reserved for road funds, capital projects, and park impact fees, and is therefore unavailable for future spending. The remaining $213,067 or 15.9 percent is available for new spending. The following chart presents the City's 2006 ending fund balances.

Hooper City, Utah
Governmental Fund Balances
June 30, 2006

	General Fund	Capital Projects	Total
Reserved	$ 366,920	$ 762,550	$ 1,129,470
Unreserved/Undesignated	213,067	-	213,067
Total	$ 579,987	$ 762,550	$ 1,342,537
Percent Change from Prior Year:	-19.8%	-36.5%	-30.2%

General Fund
During 2006, the fund balance in the General Fund decreased $142,921 or 19.8 percent due primarily to a fund transfer out to the Capital Projects Fund to finance construction of a new Public Works building. Total revenues increased $226,118 or 21.6 percent due primarily to increased taxes and building inspection fees.

Total General Fund expenditures increased $101,007 or 11.6 percent due to an overall increase in operating costs. Such increase in City administration and operating costs were the result of substantial growth in population and development.

General Fund Budgetary Highlights
Hooper City prepares its budget according to state statutes. The most significant budgeted fund is the General Fund. The City amended the General Fund budget several times during the year to meet the needs of the programs as issues arose. The significant changes to the original adopted budget were reflected in many operating expenditures due to the substantial growth of the City. This was evident in the areas of Class "C" Roads, inspection costs, and salaries and benefits increases.

Actual General Fund revenues were $61,409 or 5.1 percent above the original budget and $17,109 or 1.4 percent above the final budget. Actual expenditures were $64,453 or 6.2 percent below the original budget and $170,068 or 14.9 percent below the final budget. The City was required to draw upon existing fund balance in the General Fund this year to cover its expenditures and transfers in the amount of $142,921.

Capital Projects Fund
Fund balance in the Capital Projects Fund decreased $437,612, or 36.5 percent which was due to the transfer of all sewer-related revenues and capital assets to the new Sewer Enterprise Fund.

Sewer Fund
This is the City's only proprietary fund. As previously mentioned, this year was the first full year of operations for the Sewer Fund. Results of operations of this fund mirror the discussion above under the heading "Business-type Activities" and need not be repeated here.

OTHER MATTERS

During 2006, the City has continued with the construction of a new Public Works building with an estimated cost of $350,000. The building will house road maintenance and other equipment used in City public works and parks operations.

Construction of the City's vacuum wastewater system is scheduled for completion in late 2007.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Hooper City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to the Hooper City Treasurer, 5580 West 4600 South, Hooper, Utah, 84315.

HOOPER CITY
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 147,213	$ 27	$ 147,240
Due from other governmental units	214,183	-	214,183
Receivables (net of allowance for uncollectibles):	1,800	834	2,634
Restricted assets:			-
Cash	1,129,470	3,280,018	4,409,488
Capital Assets:			-
Land	502,500	-	502,500
Infrastructure	2,506,459	798,339	3,304,798
Improvements	271,821	-	271,821
Buildings	547,788	-	547,788
Machinery and equipment	338,910	-	338,910
Construction in progress	272,612	1,647,194	1,919,806
Less: Accumulated depreciation	(207,437)	(9,979)	(217,416)
Total Capital Assets	4,232,653	2,435,554	6,668,207
TOTAL ASSETS	5,725,319	5,716,433	11,441,752
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	43,553	45,818	89,371
Accrued liabilities	5,028	-	5,028
Customer deposits	32,400	-	32,400
Deferred revenue	-	-	-
Total current liabilities	80,981	45,818	126,799
LONG-TERM LIABILITIES			
Long-term liabilities-Due within one year	8,802		8,802
Long-term liabilities-Due in more than one year	47,106	3,000,000	3,047,106
Total long-term liabilities	55,908	3,000,000	3,055,908
TOTAL LIABILITIES	136,889	3,045,818	3,182,707
NET ASSETS			
Investment in general capital assets net of related debt	4,184,666	2,259,123	6,443,789
Restricted Net Assets	1,129,470	402,141	1,531,611
Unrestricted Net Assets	274,294	9,351	283,645
TOTAL NET ASSETS	$ 5,588,430	$ 2,670,615	$ 8,259,045

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

HOOPER CITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue & Changes in Net Assets, Primary Government: Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General Government	$ 166,833	$ 1,539	$ 6,500	$ -	$ (158,794)	$ -	$ (158,794)
Community and Economic Development	124,092	627,357	-	-	503,265	-	503,265
Highways and Public Improvements	453,431	-	199,578	-	(253,853)	-	(253,853)
Parks and Recreation	94,511	7,255	-	-	(87,256)	-	(87,256)
Public Safety	189,881	12,550	1,902	-	(175,429)	-	(175,429)
Interest on Long-term Debt	1,813	-	-	-	(1,813)	-	(1,813)
Total governmental activities	1,030,561	648,701	207,980	-	(173,880)	-	(173,880)
Business-type activities:							
Sewer	43,439	437,221	-	737,999	-	1,131,781	1,131,781
Total business-type activities	43,439	437,221	-	737,999	-	1,131,781	1,131,781
Total primary government	$ 1,074,000	$ 1,085,922	$ 207,980	$ 737,999	(173,880)	1,131,781	957,901
General revenues:							
Taxes and special assessments:							
Property					85,180	-	85,180
Sales					411,300	-	411,300
Franchise					80,629	-	80,629
Unrestricted investment earnings					51,998	24,834	76,832
Donation of capital assets					2,506,459	798,339	3,304,798
Transfers					(715,661)	715,661	-
Total general revenues					2,419,905	1,538,834	3,958,739
Change in net assets					2,246,025	2,670,615	4,916,640
Net assets - beginning (Restated)					3,342,405	-	3,342,405
Net assets - ending					$ 5,588,430	$ 2,670,615	$ 8,259,045

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

HOOPER CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	MAJOR FUNDS		TOTALS
	GENERAL	CAPITAL PROJECTS	2006
ASSETS			
Cash and cash equivalents	$ 147,213	$ -	$ 147,213
Due from other governmental units	214,182	-	214,182
Receivables (net of allowance for uncollectibles):	1,800	-	1,800
Restricted assets:			
Cash	366,920	762,550	1,129,470
Total assets	$ 730,115	$ 762,550	$ 1,492,665
LIABILITIES AND FUND BALANCES			
Accounts payable	$ 43,553	$ -	$ 43,553
Accrued liablilities	5,028	-	5,028
Customer deposits	32,400	-	32,400
Deferred revenue	69,147	-	69,147
Total liabilities	150,128	-	150,128
Fund balances:			
Reserved for Class "C" Road Funds	366,920	-	366,920
Reserved for capital projects	-	487,680	487,680
Reserved for parks impact fees	-	274,870	274,870
Unreserved fund balance	213,067	-	213,067
Total fund balances	579,987	762,550	1,342,537
Total liabilities and fund balances	$ 730,115	$ 762,550	$ 1,492,665

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

HOOPER CITY
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets
For the Year Ended June 30, 2006

Total Fund Balances - Governmental Funds		$ 1,342,537
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets in governmental activities are not financial resources and therefore are not reported in governmental funds, but they are reported in the Statement of Net Assets. Capital assets consist of the following:		
Land	$ 502,500	
Buildings	547,788	
Construction in progress	272,612	
Infrastructure	2,506,459	
Other capital assets	610,731	
Accumulated depreciation	(207,437)	4,232,653
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current year's expenditures and therefore are deferred in government funds		69,147
Some liabilities are not due and payable in the current year and therefore are not reported in governmental funds, but they are reported in the Statement of Net Assets. These liabilities consist of the following:		
Capital leases	(47,984)	
Compensated absences	(7,924)	(55,907)
Net Assets of Governmental Activities		$ 5,588,430

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

HOOPER CITY
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	MAJOR FUNDS		TOTALS
	GENERAL	CAPITAL PROJECTS	2006
REVENUES:			
Taxes	$ 569,364	$ -	$ 569,364
Licenses and permits	356,111	178,899	535,010
Intergovernmental revenue	201,480	-	201,480
Charges for services	106,100	-	106,100
Fines and forfeitures	12,549	-	12,549
Miscellaneous revenues	27,946	25,592	53,538
Total revenues	1,273,550	204,491	1,478,041
EXPENDITURES:			
Current:			
General government	156,699	-	156,699
Public safety	189,481	-	189,481
Highways and public improvements	474,815	-	474,815
Parks	63,022	-	63,022
Community and economic development	79,066	369,562	448,628
Debt Service	10,268	-	10,268
Total expenditures	973,351	369,562	1,342,913
Excess (deficiency) of revenues over expenditures	300,199	(165,071)	135,128
OTHER FINANCING SOURCES (USES):			
Proceeds from long-term debt	-	-	-
Transfers in	-	440,000	440,000
Transfers (out)	(443,120)	(712,541)	(1,155,661)
Total other financing sources (uses)	(443,120)	(272,541)	(715,661)
Excess (deficiency) of revenues/sources over (under) expenditures/uses	(142,921)	(437,612)	(580,533)
Fund balance at beginning of year	722,908	1,200,162	1,923,070
Fund balance at end of year	$ 579,987	$ 762,550	$ 1,342,537

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

HOOPER CITY
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds		$ (580,533)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts were as follows:		
Capital outlay	$ 420,562	
Depreciation expense	(77,409)	343,153
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, this amount was		8,455
Because some revenues will not be collected for several months after the end of the year, they are not considered "available" revenues and are deferred in governmental funds. Deferred revenues increased by this amount this year		7,746
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 is one of these		(7,924)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in funds:		
Donated infrastructure	2,506,459	
Depreciation expense	(31,331)	2,475,128
Change in Net Assets of Governmental Activities		$ 2,246,025

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

Proprietary Fund Financial Statements

Sewer Fund

This enterprise fund accounts for the provision of sewer services to City residents. All activities necessary to provide such services are accounted for in this fund including, but not limited to: administration operation, maintenance, billing, and collecting.

HOOPER CITY, UTAH
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2006

BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND

	SEWER
ASSETS	
Current assets:	
Cash	$ 27
Accounts receivable	834
Restricted assets:	
Cash	3,280,018
Total current assets	3,280,879
Noncurrent assets:	
Capital assets:	
Infrastructure	798,339
Construction in progress	1,647,194
Less accumulated depreciation	(9,979)
Total capital assets (net of accumulated depreciation)	2,435,554
Total noncurrent assets	2,435,554
Total assets	5,716,433
LIABILITIES	
Current liabilities:	
Accounts payable	45,818
Noncurrent liabilities:	
Notes payable	3,000,000
Total liabilities	3,045,818
NET ASSETS:	
Investment in general capital assets (net of related debt)	2,259,123
Restricted net assets	402,141
Unrestricted net assets	9,351
Total net assets	$ 2,670,615

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

HOOPER CITY, UTAH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND

		Sewer
OPERATING REVENUES		
Impact fees	$	408,733
Charges for services		28,488
Total operating revenues		437,221
OPERATING EXPENSES		
General and administration		33,460
Depreciation		9,979
Total operating expenses	$	43,439
Operating income (loss)		393,782
NONOPERATING REVENUES (EXPENSES)		
Investment earnings		24,834
Capital grants		55,000
Total nonoperating revenues (expenses)		79,834
Income before contributions and transfers		473,616
Capital contributions		1,481,338
Transfers in (out)		715,661
Change in net assets		2,670,615
Net assets, beginning		-
Net assets, ending	$	2,670,615

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

HOOPER CITY, UTAH
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND

	SEWER
CASH FLOWS FROM OPERATING ACTIVITES:	
Cash received from customers	$ 436,387
Cash payments to suppliers for goods and services	(2,768)
Cash payments for services	(28,500)
Net cash provided (used) by operating activities	405,119
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in (out)	715,661
Subsidy from federal grant	55,000
Net cash provided (used) by noncapital financing activities	770,661
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from capital debt	3,000,000
Acquisition and construction of capital assets	(865,569)
Principal paid on capital debt	(55,000)
Net cash provided (used) by capital and related financing activities	2,079,431
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	24,834
Net cash provided (used) by investing activities	24,834
Net increase in cash and cash equivalents	3,280,045
Cash and cash equivalents, beginning of year	0
Cash and cash equivalents, end of year	$ 3,280,045
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	393,782
Reconciliation adjustments:	
Depreciation expense	9,979
(Increase) decrease in accounts receivable	(834)
Increase (decrease) in accounts payable related to operating expenses	2,192
Total adjustments	11,337
Net cash provided (used) by operating activities	$ 405,119
Noncash investing, capital, and financing activities:	
Contributions of capital assets from government	682,999
Contribution of capital assets from developers	798,339

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Hooper City Corporation was incorporated November 30, 2000 by the State of Utah. The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and public improvements, community development, parks, sewer, and general administrative services.

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

A. The primary government

B. Organizations for which the primary government is financially accountable

C. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds. The City has no blended component units.

B. Government-wide And Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. 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 revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Separate statements are provided for *governmental* and *proprietary funds*. For governmental and proprietary funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

- **General Fund** - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

- **Capital Projects Fund** – This fund accounts for financial resources to be used for the construction of major capital projects.

The City reports the following proprietary fund:

- **Sewer Fund** – This fund accounts for the operations of the City's Sanitary Sewer System. It is reported as a major enterprise fund

C. Measurement Focus and Basis of Accounting

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

The proprietary fund statements are also prepared using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues generally result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating items, such as interest expense and investment earnings, result from nonexchange transactions or ancillary activities.

For business-type activities and enterprise funds, the City follows all GASB pronouncements and all Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those standards conflict with a GASB pronouncement.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

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

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

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

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

Restricted Assets
Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets
Capital assets which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital acquisition and construction are reflected as expenditures in governmental funds. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Individual assets with a cost greater than $5,000 are capitalized.

Infrastructure capital assets which are newly constructed are capitalized. The City has sewer system, parks, and public works construction costs which are recorded as Construction in Progress. Improvements to streets, storm drainage, land drain, and sanitary sewer that have been received from developers are depreciated over their expected useful lives.

Capital assets are depreciated. Depreciation of buildings, improvements, infrastructure, and equipment is computed using the straight-line method.

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

Buildings.....40 years
Improvements.....25 years
Equipment.....5-7 years
Infrastructure.....40 years

Long-term Obligations
In the government-wide statements and in the sewer fund long-term debt obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

Net Assets/Fund Balances
The difference between assets and liabilities is *net assets* on the government-wide statements, and *fund balance* on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

E. Revenues and Expenditures

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

Revenue Availability
Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. Hooper City considers property tax revenues to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

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

Expenditure Recognition
In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at the fiscal year end. Project-length financial plans are adopted for capital projects funds. Encumbrance accounting is not used by the City.

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.

2. Budgets are required by the State of Utah for the General, Proprietary, and Capital Project Funds.

3. Each year the City publishes a separate budget document prepared according to this legal level of control.

4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.

5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.

6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.

7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.

8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the council after the public hearing.

9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.

10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

11. In connection with budget adoption:

a. An annual tax ordinance establishing the property tax rate is adopted before June 22.

b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22.

12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution. Fund budgets may be increased by resolution after a public hearing.

Current Year Excess of Expenditures Over Appropriations:

For the year ended June 30, 2006, expenditures did not exceed appropriations in any fund.

G. Contributions

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

H. Compensated Absences

City policy provides for vested or accumulated vacation and compensated leave. The balance at June 30, 2006 was $7,924.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits and investments for Hooper City are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

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

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2006 were $245,196. These deposits are insured up to $100,000.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

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

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF

are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2006.

Investment Type		Fair Value	Maturity	Quality Ratings
PTIF Investments	$	4,516,096	55 days*	not rated
Total	$	4,516,096		

* Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the City's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF.

NOTE 3. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 748,781	$ 369,562	$ 845,731	$ 272,612
Land	502,500	-	-	502,500
Total capital assets, not being depreciated	1,251,281	369,562	845,731	775,112
Capital assets, being depreciated:				
Buildings	547,788	-	-	547,788
Improvements - nonbuilding	164,089	107,732	-	271,821
Infrastructure	-	2,506,459	-	2,506,459
Machinery and equipment	287,910	51,000	-	338,910
Capital assets being depreciated	999,787	2,665,191	-	3,664,978
Less accumulated depreciation for:				
Buildings and Improvements	28,766	22,413	-	51,179
Infrastructure	-	31,331	-	31,331
Equipment	69,930	54,996	-	124,926
Total accumulated depreciation	98,696	108,740	-	207,436
Total capital assets being depreciated, net	901,091	2,556,451	-	3,457,542
Governmental activities capital assets, net	$ 2,152,372	$ 2,926,013	$ 845,731	$ 4,232,654
Business-type Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 1,647,194	$ -	$ 1,647,194
Total capital assets, not being depreciated	-	1,647,194	-	1,647,194
Capital assets, being depreciated:				
Infrastructure	-	798,339	-	798,339
Capital assets being depreciated	-	798,339	-	798,339
Less accumulated depreciation for:				
Infrastructure	-	9,979	-	9,979
Total accumulated depreciation	-	9,979	-	9,979
Total capital assets being depreciated, net	-	788,360	-	788,360
Business-type activities capital assets, net	$ -	$ 2,435,554	$ -	$ 2,435,554

	Governmental	Business	TOTAL
General Administration	$ 10,134	-	$ 10,134
Community and Economic Development	45,026	-	45,026
Highways and public Improvements	21,692	-	21,692
Parks	31,488	-	31,488
Public Safety	400	-	400
Sewer	-	9,979	9,979
			-
Total	$ 108,740	9,979	$ 118,719

The City expended $1,278,757 in construction costs during fiscal year 2006, which includes: $909,195 in construction costs for the planning, surveying, design, and construction of the new wastewater system; $269,595 for a public works building to house public works equipment and materials; $99,967 for the improvement of parks and trails in the city. The City also purchased a new road grader in the public works department for $51,000. The City received contributed Infrastructure contributions from local developers in the amount of $3,304,798.

NOTE 4. LONG-TERM DEBT

On May 22, 2002 the City entered into an agreement with the Utah Water Quality Board for a $55,000 advance planning grant to study its wastewater needs. The terms of the agreement require that the planning advance be repaid whether the sewer project is implemented or not. The grant funds were received and deposited into the escrow account on August 28, 2002, and were reclassified from loan to grant in the financial records as of June 30, 2006.

The sewer project was later implemented with additional funding approved on September 2, 2004. The Utah Water Quality Board authorized a non-interest bearing loan of $10,000,000, which was increased to $12,000,000 and approved for disbursement on June 23, 2006. To date, the City has drawn $3,000,000 of the loan funds as construction of the sewer project continued in 2006. The City previously received the planning advance of $55,000 and the design advance of $1,056,000 with funding from the Department of Water Quality grant of $4,992,000, leaving available funds in the DWQ grant in the amount of $3,881,000.

The changes in long-term debt for Governmental and Business-type activities during 2006 are as follows:

Governmental Activities

	Interest Rate	Balance 6/30/2005 Outstanding	Additions	Reductions	Balance 6/30/2006 Outstanding	Current Portion
Loan – Water Quality	-	55,000		55,000	-	-
Capital Lease	4.10%	56,439	-	8,455	47,984	8,802
Compensated Absences	-	-	7,924	-	7,924	-
Total Governmental Activities		$ 111,439	$ 7,924	$ 63,455	$ 55,908	$ 8,802

Business-type Activities

	Interest Rate	Balance 6/30/2005 Outstanding	Additions	Reductions	Balance 6/30/2006 Outstanding	Current Portion
Loan – Water Quality	-	-	3,000,000	-	3,000,000	-
Total Business-type Activities		$ -	$ 3,000,000	$ -	$ 3,000,000	$ -

Annual requirements to amortize the long-term debt as of June 30, 2006 are as follows:

	DWQ Loan		Capital Lease		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2007	-	-	8,802	1,967	8,802	1,967
2008	335,000	-	9,163	1,606	344,163	1,606
2009	345,000	-	9,538	1,231	354,538	1,231
2010	345,000	-	9,929	840	354,929	840
2011	350,000	-	10,552	217	360,552	217
2012-2016	1,795,000	-	-	-	1,795,000	-
2017-2021	1,925,000	-	-	-	1,925,000	-
2022-2026	2,050,000	-	-	-	2,050,000	-
2027-2031	2,170,000	-	-	-	2,170,000	-
2032-2036	2,235,000	-	-	-	2,235,000	-
2037	450,000	-	-	-	450,000	-
Total	$ *12,000,000	$ -	$ 47,984	$ 5,861	$ 12,047,984	$ 5,861

*As of June 30, 2006 the City had drawn $3,000,000 of the $12,000,000 available loan funds.

The City has a long-term liability in the amount of $7,924 for employee compensated absences. The compensated absence liability of governmental activities is liquidated in the General Fund where the related employing department operates.

NOTE 5. RESERVATIONS OF FUND BALANCE

Reserved for Class "C" Road – This represents the excess of Class "C" Road funds received over the amount spent.

Reserved for Park Impact Fees – This represents the excess of Park Impact Fees funds received over the amount spent.

Reserved for Capital Projects – This represents the excess of Capital Projects funds received over the amount spent.

NOTE 6. RISK MANAGEMENT

Hooper City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2006, there is no anticipation of unpaid claims. Therefore, a liability is not accrued.

NOTE 7. RETIREMENT PLANS

A. Pension Plans

Hooper City contributes to the Local Government Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan. The System is administered by Utah Retirement Systems (URS) under the direction of the URS Board, which consists of the State Treasurer and six members appointed by the governor. URS is established under and governed by Title 49 of *Utah Code Annotated*, 1953, as amended (UCA). URS publishes an annual financial report that includes financial statements and required supplementary information for all retirement systems and deferred compensation plans administered by it. Copies of the report may be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102; by calling 1-800-365-8772; or by visiting www.urs.org.

Retirement benefits, as specified by UCA Title 49, cover substantially all employees of the State, public education, and other political subdivisions of the State. Only the State Legislature can modify benefits. The Systems provide pension, death, and disability benefits for employees who meet all eligibility requirements. Employees are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus years of service. A brief summary of eligibility, benefits, and contribution rates of the Systems is provided in the table below.

Expenditures or expenses for retirement costs are recorded in the City's funds as contributions are made to the Systems. Contributions made each year were equal to the contributions required by the City's contract with URS. Therefore, the City has no liability for pension obligations.

The City also participates in deferred compensation plans created in accordance with Internal Revenue Code Section 457 and has adopted Governmental Accounting Standards Board Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans". As a result, the City's 457 plans are reported as trust funds of the plan administrator rather than as agency funds of the City.

	Noncontributory System
Highest Average Salary	Highest 5 years
Years of Service and Age of Eligibility	30 years any age 25 years any age 20 years age 60 10 years age 62 4 years age 65
Benefit Percent per Year of Service	2.00% per year
Annual Cost of Living Adjustment	up to 4.00%
2006 Rates as Percent of Covered Payroll:	
Employer	11.1%
Member	-

Local Governmental System - Noncontributory

Actual City Contributions Made, by year - Employer:		
2006	$	15,268
2005		9,078
2004		6,228
401 K Plan - Contributions Made, by year - Employee:		
2006		2,658
2005		2,152
2004		226

NOTE 8. PROPERTY TAX CALENDAR

Lien date	January 1st
Taxing entity notifies the County of date, time, and place of public hearing	March 1st
Budget officer of the entity prepares and files with the City Council a tentative budget for the next fiscal year	1st scheduled Council Meeting in May
County Auditor sends valuation certified tax rate and levy worksheets to each taxing entity	June 8th
Taxing entity must adopt a proposed tax rate, certify the rate and levy, and submit to the County Auditor	Before June 22nd
Taxing entity adopts a final tax rate if there is no increase in certified tax rate	June 22nd
Taxing entity adopts final budget if there is no increase in certified tax rate	June 22nd
Copy of the budget is submitted to State Auditor within 30 days of adoption payment and delinquency date	November 30th

NOTE 9. DEFERRED REVENUE

Deferred revenues are resource inflows that do not yet meet the criteria for revenue recognition. The City follows GASB Statement #33 which reports property taxes currently receivable to be used in the following fiscal year as deferred revenue.

REQUIRED

SUPPLEMENTARY

INFORMATION

HOOPER CITY
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

GENERAL FUND

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes				
Property	$ 76,610	$ 76,610	$ 77,433	$ 823
Sales	343,000	343,000	411,300	68,300
Franchise	14,560	14,560	16,483	1,923
Telecommunications	25,000	40,000	64,148	24,148
Total Taxes	459,170	474,170	569,364	95,193
Licenses and Permits				
Business Licenses and Permits	12,122	12,122	11,277	(844)
Non-business Licenses and Permits	11,000	11,000	-	(11,000)
Building, Structures, and Equipment	284,000	303,000	344,834	41,834
Impact Fees	-	-	-	-
Total Licenses and Permits	307,122	326,122	356,111	29,990
Intergovernmental				
Class "C" Road	189,572	209,572	193,078	(16,494)
Liquor Funds	1,594	1,594	1,902	308
Other Governmental Grants	164,000	164,000	6,500	(157,500)
Total Intergovernmental	355,166	375,166	201,480	(173,686)
Charges for Services				
Zoning and Subdivision Fees	47,900	47,900	98,845	50,945
Parks and Public Property	4,900	4,900	7,255	2,355
Sewer	9,700	-	-	-
Total Charges for Services	62,500	52,800	106,100	53,300
Fines and Forfeitures				
Fines	13,000	13,000	12,549	(451)
Total Fines and Forfeitures	13,000	13,000	12,549	(451)
Miscellaneous Revenues				
Interest Earnings	9,500	9,500	26,406	16,906
Other	5,683	5,683	1,540	(4,143)
Total Miscellaneous	15,183	15,183	27,946	12,763
Total revenues	1,212,141	1,256,441	1,273,550	17,109
EXPENDITURES:				
General Government				
Salaries and Benefits	42,675	42,675	14,125	28,550
Legal and Accounting	28,513	28,513	43,785	(15,272)
Executive	9,000	9,000	9,000	-
Legislative	12,600	12,600	12,050	550
Planning and Zoning	5,150	5,150	7,550	(2,400)
Education & Community Promotion	9,500	9,500	18,438	(8,938)
Office	46,560	51,560	51,751	(191)
Total General Government	153,998	158,998	156,699	2,299
Public Safety				
Sheriff	176,000	176,000	176,403	(403)
Animal Control	13,617	17,171	13,078	4,093
Other	3,554	-	-	-
Total Public Safety	193,171	193,171	189,481	3,690
Highways and Public Improvements				
Salaries and Benefits	113,802	124,117	146,323	(22,206)
Class "C" Roads	150,000	170,000	171,381	(1,381)
Engineering	45,500	45,500	52,428	(6,928)
Other	85,980	84,280	53,681	30,599
Capital Outlay	15,000	66,000	51,002	14,998
Total Highways and Public Improvements	410,282	489,897	474,815	15,082
Parks				
Salaries and Benefits	33,673	40,373	20,990	19,383
Repairs and Maintenance	20,280	25,280	42,032	(16,752)
Capital Outlay	-	-	-	-
Total Parks	53,953	65,653	63,022	2,631
Community and Economic Development				
Community Development	-	-	-	-
CDBG Grant Expenditures	164,000	164,000	8,100	155,900
Inspections	41,000	60,000	70,966	(10,966)
Total Community and Economic Development	205,000	224,000	79,066	144,934
Debt Service				
Principal and Interest	21,400	11,700	10,268	1,432
Total Debt Service	21,400	11,700	10,268	1,432
Total expenditures	1,037,804	1,143,419	973,351	170,068
Excess (deficiency) of revenues over expenditures	174,337	113,022	300,199	187,177
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-Term Debt				
Transfers In	-	-	-	-
Transfers Out	(350,000)	(350,000)	(443,120)	(93,120)
Total other financing sources (uses)	(350,000)	(350,000)	(443,120)	(93,120)
Excess (deficiency) of revenues amd other financing sources over (under) expenditures and other financing uses	(175,663)	(236,978)	(142,921)	94,057
Fund balance at beginning of year	722,908	722,908	722,908	-
Fund balance at end of year	$ 547,245	$ 485,930	$ 579,987	$ 94,057

HOOPER CITY
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

CAPITAL PROJECTS

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Taxes				
Property	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Franchise	-	-	-	-
Telecommunications	-	-	-	-
Total Taxes	-	-	-	-
Licenses and Permits				
Business Licenses and Permits	-	-	-	-
Non-business Licenses and Permits	-	-	-	-
Building, Structures, and Equipment	-	-	-	-
Impact Fees	540,663	540,663	178,899	(361,764)
Total Licenses and Permits	540,663	540,663	178,899	(361,764)
Intergovernmental				
Class "C" Road	-	-	-	-
Liquor Funds	-	-	-	-
Other Governmental Grants	-	-		-
Total Intergovernmental	-	-	-	-
Charges for Services				-
Zoning and Subdivision Fees	-	-	-	-
Parks and Public Property	-	-	-	-
Sewer	-	-	-	-
Total Charges for Services	-	-	-	-
Fines and Forfeitures				
Fines	-	-	-	-
Total Fines and Forfeitures	-	-	-	-
Miscellaneous Revenues				
Interest Earnings	9,000	9,000	25,592	16,592
Other	-	-	-	-
Total Miscellaneous	9,000	9,000	25,592	16,592
Total revenues	549,663	549,663	204,491	(345,171)
EXPENDITURES:				
General Government				
Salaries and Benefits	-	-	-	-
Legal and Accounting	-	-	-	-
Executive	-	-	-	-
Legislative	-	-	-	-
Planning and Zoning	-	-	-	-
Education & Community Promotion	-	-	-	-
Office	-	-	-	-
Total General Government	-	-	-	-
Public Safety				-
Sheriff	-	-	-	-
Animal Control	-	-	-	-
Other	-	-	-	-
Total Public Safety	-	-	-	-
Highways and Public Improvements				
Salaries and Benefits	-	-		-
Class "C" Roads	-	-	-	-
Engineering	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Total Highways and Public Improvements	-	-	-	-
Parks				-
Salaries and Benefits	-	-	-	-
Repairs and Maintenance	-	-	-	-
Capital Outlay	-	-	-	-
Total Parks	-	-	-	-
Community and Economic Development				
Community Development	7,620,250	7,620,250	369,562	7,250,688
CDBG Grant Expenditures	-	-	-	-
Inspections	-	-	-	-
Total Community and Economic Development	7,620,250	7,620,250	369,562	7,250,688
Debt Service				
Principal and Interest	-	-	-	-
Total Debt Service	-	-	-	-
Total expenditures	7,620,250	7,620,250	369,562	7,250,688
Excess (deficiency) of revenues over expenditures	(7,070,587)	(7,070,587)	(165,071)	6,905,516
OTHER FINANCING SOURCES (USES):				
Proceeds from Long-Term Debt	7,000,000	7,000,000	-	(7,000,000)
Transfers In	350,000	350,000	440,000	90,000
Transfers Out	(712,541)	(712,541)	(712,541)	-
Total other financing sources (uses)	6,637,459	6,637,459	(272,541)	(6,910,000)
Excess (deficiency) of revenues amd other financing sources over (under) expenditures and other financing uses	(433,128)	(433,128)	(437,612)	(4,484)
Fund balance at beginning of year	1,200,162	1,200,162	1,200,162	-
Fund balance at end of year	767,034	$ 767,034	$ 762,550	$ (4,484)

OTHER SUPPLEMENTARY

INFORMATION

HOOPER CITY, UTAH
SCHEDULE OF IMPACT FEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Hooper City collects sewer and park impact fees. The following is a recap of the impact fees outstanding by year of collection:

Year Collected	Sewer	Parks	Total
2005	-	86,527	86,527
2006	402,141	188,343	590,484
Total	$ 402,141	$ 274,870	$ 677,011

The following capital projects are planned to use the impact fees shown above:

Capital Project Planned	Projected Cost	Estimated Starting Date	Type of Impact Fee
Construction of Sanitary Sewer System	2,134,162	July, 2006	Sewer
Construction of Wild Wood Regional Soccer Park, Ph 1	416,000	Pending	Parks
City-wide Parks Capital Facilities Plan	2,816,000	per city plan	Parks
City-wide Land Purchases for Parks	1,004,500	per city plan	Parks

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

To the Honorable Mayor and City Council
Hooper City, Utah
Hooper, UT 84315

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Hooper City, Utah, for the year ended June 30, 2006, and have issued our report thereon dated December 11, 2006. As part of our audit, we have audited Hooper City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major state assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)
Utah Waste Water Project Assistance Program (Division of Water Quality)

The City did not receive any nonmajor state grants during the year ended June 30, 2006.

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
B & C Road Funds
Other Compliance Issues
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
Uniform Building Code Standards
Impact Fees

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

257 37th Street, Ogden, Utah 84405 TEL: (801) 399-5837 (801) 621-0721 FAX: (801) 399-5830

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, Hooper City, Utah 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 June 30, 2006.

Davis, Chase & Associates

December 11, 2006

Davis, Chase & Associates, P.C.

Certified Public Accountants

Steven J. Davis, CPA, CFP®, PFS
Tarina Chase, CPA
Ann Singleton, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council
Hooper City, Utah
Hooper, Utah 84315

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Hooper City, Utah, as of and for the year ended June 30, 2006 and have issued our report thereon dated December 11, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether Hooper City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hooper City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

257 37th Street, Ogden, Utah 84405 TEL: (801) 399-5837 (801) 621-0721 FAX: (801) 399-5830

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over the financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, legislative body, management, others within the organization, and 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.

Davis, Chase & Associates

December 11, 2006

HOOPER CITY, UTAH

STATUS OF FISCAL YEAR 2005 FINDINGS
AND RECOMMENDATIONS

YEAR ENDED JUNE 30, 2006

1. BUDGETED PROPERTY TAXES

The amount on the Budgeted Revenue column of the Form TC-693 tax rates summary required by the Tax Commission was not the same as the revenue amount in the City's adopted budget. This occurred because the budgeted amount includes fees in lieu of taxes and property tax redemptions.

We recommend that the budgeted property tax amount be amended to be the same amount as on the Form TC-693.

Management Response

The City will amend the budget to correspond with the budgeted revenue amount shown on the Form TC-693 after the certified tax rate is adopted.

Status: Implemented.

2. PURCHASING POLICY

The City's purchasing policy requires approval for acquisition of services and supplies by a city officer, the mayor or the city council depending on the level of expenditure. We noted some instances where formal approval of expenditures was not evident.

We recommend the City establish a more formal approval process where authorization for expenditures at the various levels is clearly indicated.

Management Response

The City will establish a more formal approval process to be consistent with the purchasing policy.

Status: Implemented.