MOAB MOSQUITO ABATEMENT DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

MOAB MOSQUITO ABATEMENT DISTRICT
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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Moab Mosquito Abatement District
Moab, Utah 84532

We have compiled the accompanying financial statements of the governmental activities of Moab Mosquito Abatement District for the year ended December 31, 2006, and the related statement of revenues, expenses and changes in net assets for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

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

The Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

June 14, 2007

MOAB MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Our discussion and analysis of Moab Mosquito Abatement District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006.

Moab Mosquito Abatement District is an independent special district created by Grand County in 1960, for the specific purpose of controlling mosquitoes within the 25 square mile district. The District is governed by a five-member Board of Trustees. One member is appointed by the City of Moab and four members are appointed by Grand County for staggered four-year terms. The District employs a full-time, year-round manager/entomologist and two or three full-time seasonal field technicians.

The District is a single-purpose governmental entity established for mosquito control and vector-borne disease surveillance and has no business-type or enterprise activities. The District relies entirely on property taxes, fee-in-lieu taxes (motor vehicle registrations), investment and savings interest and the occasional sale of surplus or obsolete equipment. Because of excess balances of revenues exceeding expenditures in the past, the District also relies on carryover from these prior years to match expenditures when needed. The District collects no fees or charges for services and receives no payments or grants from other entities. The District's financial year is from January 1 to December 31 and the annual budget is prepared and adopted in November and December of the preceding year.

FINANCIAL HIGHLIGHTS

- The District's net assets increased $18,890, approximately 12.07%, as a result of the current year's operations.
- During the year the District had expenses that totaled $153,102 and generated revenue from taxes in the amount of $167,774. Other revenue was $4,218.
- General-purpose property taxes increased $32,698 compared to the previous year because of a 12% increase in the property tax levy and an increase in valuation of property within the District.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the Districts' finances. Fund financial statements start on page 11. These statements tell how these services were financed in the short term as well as what remains for future spending.

REPORTING THE DISTRICT AS A WHOLE

The District realizes revenue from only one source: property taxes. The funds are used for public safety and health expenditures as well as the purchase of equipment. Our analysis of the District as a whole begins on page 9. The Statement of Net Assets and the Statement of Activities report information that allows the District to determine if they are better or worse off as a result of the current year activities.

These two statements report the Districts' net assets and the increase or decrease. Net assets equal the difference between assets and liabilities. This is a way to measure the District's financial position. Increases or decreases in the District's net assets are an indicator of whether the financial position of the District is improving or deteriorating.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

All of the District's services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances remaining at year-end that are available for future spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services the District provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operations. The District's two funds are both classified as major funds. They are the General and Capital Projects Funds.

Since most of the funds received by the District are generated by property taxes, the District's Board of Trustees determined that the proper fund classification for the District was governmental funds, rather than proprietary funds according to governmental accounting standards.

The General fund is the fund from which all expenditures, except for major capital expenditures, are made. All of the revenue from taxes is recorded in the General fund and transfers are made to the Capital Projects fund. The funds in the Capital Projects fund are held to make necessary expenditures for the construction or purchase of large capital items such as buildings, real estate, and vehicles.

THE DISTRICT AS A WHOLE

The net assets of the District decreased by $18,890. The following analysis focuses on the net assets (table 1) and the changes in net assets (table 2) of the District's governmental activities.

Table 1
NET ASSETS

	Governmental Activities 2005	Governmental Activities 2006
Assets		
Current and other assets	$ 141,904	$ 164,598
Capital assets	17,013	11,161
Total assets	$ 158,917	$ 175,759
Liabilities		
Current liabilities	$ 2,444	$ 396
Net assets		
Investment in capital assets, net of related debt	$ 17,013	$ 11,161
Restricted for:		
Capital projects	7,222	7,552
Unrestricted	132,238	156,650
Total net assets	$ 156,473	$ 175,363

Net assets of the District are $175,363. The Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is $156,650.

This is the District's fourth year of implementing GASB 34 reporting requirements. We have restated the previous year's balances for comparative purposes in the following net asset table to help the Board of Trustees and management analyze the changes.

Net assets increased in 2006. A modest 12% property tax increase (the first since 1994) along with new growth in the local tax base resulted in increased revenue. Expenditures in 2006 increased, primarily due to increased wages and increased mosquito suppression activities to combat West Nile virus. These factors combined to increase the net assets and General Fund balance by $18,890, or about 12.07%.

THE DISTRICT AS A WHOLE (Continued)

Table 2
CHANGE IN NET ASSETS

	Governmental Activities 2005	Governmental Activities 2006
Revenues		
General Revenues:		
Property taxes	$ 135,076	$ 167,774
Miscellaneous	189	1,050
Investment earnings	2,218	3,168
Total revenues	$ 137,483	$ 171,992
Expenses		
Program expenses:		
Public safety and health	$ 148,555	$ 153,102
Capital outlay	243	
Total expenses	$ 148,798	$ 153,102
Change in net assets	$ (11,315)	$ 18,890
Net assets - beginning	$ 167,788	$ 156,473
Net assets - ending	156,473	175,363
Change in net assets	$ (11,315)	$ 18,890

GOVERNMENTAL ACTIVITIES

The District's net cost (total cost less revenue generated by activity) is presented in table 3. The net cost for all Governmental Activity was $153,102. As shown in the Statement of Activities, the amount that the taxpayers ultimately financed for these activities through property taxes was the entire amount $153,102 or 100%. This indicates that the District relies entirely upon property taxes to finance its operations.

Table 3
GOVERNMENTAL ACTIVITIES

	Total Cost of Services 2006	Program Revenue 2006	Net Cost of Services 2006
Primary government			
Governmental activities:			
Public safety and health	$ 153,102		$ 153,102
Total Governmental activities	$ 153,102	$ ...	$ 153,102

GENERAL FUND AND CAPITAL PROJECTS BUDGETARY HIGHLIGHTS

The annual budget of the District was adopted in December of 2005. The overall budget was not amended during the year. However, line item accounts within the General Fund expenditures were adjusted at year-end to more closely reflect the actual expenditures made.

The overall budgets of both the General and Capital Projects funds were not exceeded by the expenditures. The overall budget of the General fund was $177,100 and the corresponding expenditures were $147,250. The overall budget of the Capital Projects fund was $7,221, and there were no expenditures from that fund.

The result of the budgeting process indicates the fiscal responsibility of the Board of Trustees and management. The budgets of the District are reviewed on a regular basis and adjustments are made as needed to comply with Utah State Code.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2006, the District had $11,161 in equipment. The net change in capital assets was due only to the depreciation of those assets in 2006. The following table number 4 shows the Capital Assets at year-end.

Table 4
CAPITAL ASSETS AT YEAR-END
(Net of Depreciation)

	Governmental Activities 2005	Governmental Activities 2006
Equipment	$ 17,013	$ 11,161
Total capital assets	$ 17,013	$ 11,161
There were no major additions in 2006:		
Total		$ ...

The District does not have infrastructure assets, which comprise of improvements, such as water lines, sewer, canals, easements and roads that have significant value to the citizens in the community and to the function of a government entity, but do not have generally marketable value and are not considered fixed assets.

The District's budget for 2007 provides for the necessary replacement of worn-out or obsolete equipment, but no significant changes in capital assets are anticipated.

Debt

The District has not issued bonds and has no loans, mortgages, or other long-term debt.

ECONOMIC FORECAST AND FUTURE BUDGET

Economic growth in the form of more tourist facilities and second and/or retirement home building is continuing in the District. With the influx of people with (possibly) a lower tolerance for mosquitoes and with the establishment of West Nile virus in the region, it may be there will continue to be an increased demand for more intense mosquito control. However, the novelty of West Nile virus is continuing to wear off, and the demand for more intense mosquito control may level off or decline. Economic development and population growth should not produce significant additional workload in and of themselves, because much of the new construction builds over and reduces the amount of flood-irrigated farmland and other mosquito breeding habitat in the District. However, as in 2004 and 2005, revenues would not have kept up with expenditures in 2006, had not a property tax increase been adopted. The 12% tax increase adopted by the District should provide for the increasing costs anticipated over the next 5-10 years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and community with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional information, contact the District Manager at 125 East Center Street, Moab, Utah, 84532, telephone (435) 259-7161.

EXHIBIT 1

MOAB MOSQUITO ABATEMENT DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and investments	$ 68,420
Receivables:	
Taxes	96,178
Total current assets	$ 164,598
Noncurrent Assets:	
Capital assets	
Depreciable equipment, net of accumulated depreciation	$ 11,161
Total noncurrent assets	$ 11,161
Total assets	$ 175,759
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	$ 64
Accrued liabilities	332
Total liabilities	$ 396
Net Assets:	
Invested in capital assets, net of related debt	$ 11,161
Restricted for:	
Capital Projects	7,552
Unrestricted	156,650
Total net assets	$ 175,363
Total liabilities and net assets	$ 175,759

"See accountants' compilation report and accompanying notes."

MOAB MOSQUITO ABATEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary Government				
Governmental activities:				
Public safety and health	$ 153,102			$ (153,102)
Total governmental activities	$ 153,102	$ ...	$ ...	$ (153,102)

General Revenues:	
Taxes:	
Property taxes, levied for general purposes	$ 167,774
Miscellaneous	1,050
Investment earnings	3,168
Total general revenues, special items, and transfers	$ 171,992
Change in net assets	$ 18,890
Net assets - beginning	156,473
Net assets - ending	$ 175,363

"See accountants' compilation report and accompanying notes."

EXHIBIT 3

MOAB MOSQUITO ABATEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	GENERAL FUND	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and investments	$ 60,868	$ 7,552	$ 68,420
Receivables:			
Taxes	96,178		96,178
Total assets	$ 157,046	$ 7,552	$ 164,598
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	$ 64		$ 64
Accrued liabilities	332		332
Total liabilities	$ 396	$ ...	$ 396
FUND BALANCES:			
Reserved for:			
Capital Projects fund		$ 7,552	$ 7,552
Unreserved, reported in:			
General fund	$ 156,650		156,650
Total fund balances	$ 156,650	$ 7,552	$ 164,202
Total liabilities and fund balances	$ 157,046	$ 7,552	$ 164,598

"See accountants' compilation report and accompanying notes."

MOAB MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total fund balances - governmental fund types:		$ 164,202
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.		
Machinery and equipment, net of accumulated depreciation	$ 11,161	11,161
Net assets of governmental activities		$ 175,363

"See accountants' compilation report and accompanying notes."

MOAB MOSQUITO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUND DECEMBER 31, 2006
REVENUES:			
Taxes	$ 167,774		$ 167,774
Miscellaneous	1,050		1,050
Interest revenue	2,838	$ 330	3,168
Total revenues	$ 171,662	$ 330	$ 171,992
EXPENDITURES:			
Current -			
Public safety and health	$ 147,250		$ 147,250
Total expenditures	$ 147,250	$ ...	$ 147,250
Excess of revenue over (under) expenditures	$ 24,412	$ 330	$ 24,742
OTHER FINANCING SOURCES (USES):			
Total other financing sources (uses)	$ ...	$ ...	$ ...
Excess of revenues and other sources over (under) expenditures and other uses	$ 24,412	$ 330	$ 24,742
FUND BALANCE, January 1,	132,238	7,222	139,460
FUND BALANCE, December 31,	$ 156,650	$ 7,552	$ 164,202

"See accountants' compilation report and accompanying notes."

MOAB MOSQUITO ABATEMENT DISTRICT
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

Net changes in fund balances - total governmental funds	$	24,742
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation ($5,852) in the current period.		(5,852)
Change in net assets of governmental activities	$	18,890

"See accountants' compilation report and accompanying notes."

MOAB MOSQUITO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL AMOUNTS	FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes:				
Property taxes	$ 162,100	$ 162,100	$ 167,774	$ 5,674
Miscellaneous	2,000	2,000	1,050	(950)
Interest income	2,300	2,300	2,838	538
Total revenues	$ 166,400	$ 166,400	$ 171,662	$ 5,262
EXPENDITURES:				
Current:				
Public safety and health				
Wages & fringe benefits	$ 133,700	$ 133,700	$ 119,924	$ 13,776
Operating expenses	36,900	36,900	27,326	9,574
Total public safety and health	$ 170,600	$ 170,600	$ 147,250	$ 23,350
Capital outlay				
Capital expenditures	$ 6,500	$ 6,500		$ 6,500
Total capital outlay	$ 6,500	$ 6,500	$ ...	$ 6,500
Total expenditures	$ 177,100	$ 177,100	$ 147,250	$ 29,850
Excess of revenues over (under) expenditures	$ (10,700)	$ (10,700)	$ 24,412	$ 35,112
OTHER FINANCING SOURCES (USES):				
Transfers in (out)				
Total other financing sources (uses)	$ ...	$ ...	$ ...	$ ...
Excess of revenues and other sources over (under) expenditures and other uses	$ (10,700)	$ (10,700)	$ 24,412	$ 35,112
Fund balances - beginning of year	10,700	10,700	132,238	121,538
Fund balances - end of year	$ ...	$ ...	$ 156,650	$ 156,650

"See accountants' compilation report and accompanying notes."

MOAB MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Moab Mosquito Abatement District have been prepared in conformity with accounting principles accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting Entity

The criteria used by Moab Mosquito Abatement District to determine the reporting entity consists of including any governmental department, agency, institution, commission or other governmental organization of which the District's governing board has financial accountability. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other. According to this criteria, the District is considered a related organization of Grand County and requires a related organization footnote disclosure in Grand County's audit report.

B. Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which, the direct expense of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include, 1) charges to customer 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide Financial Statements (Continued)

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

Financial activities are recorded in individual funds classified by type, each of which is deemed to be a separate accounting entity. The financial position and operations of each fund are accounted for in a separate self-balancing account, which represents the fund's assets, liabilities, equities, revenues and expenditures.

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 measurement made, regardless of the measurement focus applied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accruals revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)

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

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

D. Capital Assets

Capital assets, which include machinery and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial individual cost of $3,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the District is not included as part of the capitalized value of the assets constructed.

Equipment and machinery of the District are depreciated using the straight-line method over the following estimated useful life:

Assets	Years
Equipment and machinery	5

E. Budgeting

The system of budgeting used by the District complies primarily with the procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts," which is in accordance with generally accepted accounting principles. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgeting (Continued)

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

1. A formal budget is adopted for the General Fund by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance, that is, estimated revenues and other financing sources must equal appropriated expenditures.
3. The Board discusses and approves a tentative budget prior to November 1.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least ten days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board.
7. The Board considers the comments made by the public and makes final adjustments to the budget.
8. By December 31, the Board adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The Board 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.

F. Deposits and Investments

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

Investments are reported at fair value. The PTIF's value is basically the same as the fair value of the Fund's shares.

G. Receivables

Receivables in the governmental fund type consist of taxes due to the District from the County where collectibility is reasonably assured.

H. Use of Estimates

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Equity

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

J. Property Taxes

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

As of December 31, 2006, property taxes receivable consists of delinquent taxes assessed but uncollected for calendar year 2006. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

2. DEPOSITS AND INVESTMENTS

Deposits and investing for the District are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and investments. Income from the investment of pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by individual funds.

2. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was $15,567 of this amount $15,567 was insured.

Investments

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

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of December 31, 2006, the District had the following investments and maturities:

		Invesment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	$ 52,853	$ 52,853			
Total Investments	$ 52,853	$ 52,853	$ ...	$ ...	$ ...

Interest Rate Risk

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

Credit Risk

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

2. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (Continued)

At December 31, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	$ 52,853				$ 52,853
Total	$ 52,853	$ ...	$ ...	$ ...	$ 52,853

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had $52,853 invested in the Public Treasurer's Investment Fund and was held by them.

3. CAPITAL ASSETS

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

	Beginning Balance	Increases	Adjustments and Decreases	Ending Balances
Governmental Activities:				
Capital assets being depreciated:				
Machinery and equipment	$ 65,578			$ 65,578
Total capital assets being depreciated	$ 65,578	$ ...	$ ...	$ 65,578
Less accumulated depreciation for:				
Machinery and equipment	$ 48,565	$ 5,852		$ 54,417
Total accumulated depreciation	$ 48,565	$ 5,852	$ ...	$ 54,417
Total capital assets being depreciated, net	$ 17,013	$ (5,852)	$ ...	$ 11,161
Governmental activities capital assets, net	$ 17,013	$ (5,852)	$ ...	$ 11,161

4. RESTRICTED NET ASSETS

There is a $7,552 balance of cash in the Capital Projects fund. This amount appears on the balance sheet under Fund Balance as "Reserved for: Capital Projects fund." This amount will be used in the future for capital improvements or equipment purchases.