MOAB VALLEY FIRE PROTECTION DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

MOAB VALLEY FIRE PROTECTION DISTRCIT
TABLE OF CONTENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

		PAGE
OPINION	Independent Auditors' Report	1-2
MD&A	Management's Discussion and Analysis	3-9
BASIC FINANCIAL STATEMENTS		
	Government-Wide Financial Statements:	
EXHIBIT 1	Statement of Net Assets	10-11
EXHIBIT 2	Statement of Activities	12
	Fund Financial Statements:	
EXHIBIT 3	Balance Sheet - Governmental Funds	13
EXHIBIT 4	Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
EXHIBIT 5	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
EXHIBIT 6	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
EXHIBIT 7	Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	17-18
	Notes to Financial Statements	19-31

MOAB VALLEY FIRE PROTECTION DISTRCIT
TABLE OF CONTENTS - FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

	PAGE
SUPPLEMENTAL STATE COMPLIANCE	
Report on Legal Compliance with Applicable Utah State Laws and Regulations	32-33
AUDITORS' REPORT ACCORDING TO GOVERNMENT AUDITING STANDARDS	
Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	34-35

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Moab Valley Fire Protection District
Moab, Utah 84532

We have audited the accompanying financial statements of governmental activities and each major fund of Moab Valley Fire Protection District as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of Moab Valley Fire Protection District as of December 31, 2005 and the respective changes in financial position where applicable, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2006 on our consideration of Moab Valley Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

March 15, 2006

MOAB VALLEY FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Our discussion and analysis of Moab Valley Fire Protection District's financial performance provides an overview and analysis of the District's financial activities for the year ended December 31, 2005. This report is in conjunction with the District's financial statements, which are a part of this report.

The purpose of the District is to provide fire suppression and rescue aid in order to protect lives and property from fire, hazardous materials emergencies, man-made, and natural disasters in a 29.66 square-mile district that encompasses the entire city of Moab, Utah and the adjacent unincorporated lands in Grand County.

FINANCIAL HIGHLIGHTS

- The District's net assets decreased $67,396 as a result of this year's operations. This is a 6.1% decrease in net assets as compared to the prior year.
- Long-term debt decreased by $36,331 or a decrease of 13.6% over the prior year.
- Tax revenue decreased from $295,621 to $284,671 a 3.7% decrease over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to Moab Valley Fire Protection District's basic financial statements. The District's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements.

Government-wide financial statements

The government-wide financial statements include two financial statements: The Statement of Net Assets and The Statement of Activities. These statements are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing revenues and expenditures of the District and how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include general government and public safety. The District does not have any business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. The General Fund is the only major fund and is presented with the Debt Service and Capital Projects Funds in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The District adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement has been provided for the General Fund, to demonstrate compliance with their budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $1,030,653 at December 31, 2005.

By far the largest portion of the District's net assets (77.2%) reflects its investment in capital assets (e.g. buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following analysis focuses on the net assets (table 1) and changes in net assets (table 2) of the District's governmental activities.

Table 1
Net Assets

	2004	2005	Net Change
Assets			
Current and other assets	$ 292,925	$ 272,915	$ (20,010)
Capital assets, net	1,101,489	1,026,965	(74,524)
Total assets	$ 1,394,414	$ 1,299,880	$ (94,534)
Liabilities			
Current liabilities	$ 51,388	$ 57,747	$ 6,359
Other liabilities	244,977	211,480	(33,497)
Total liabilities	$ 296,365	$ 269,227	$ (27,138)
Net Assets			
Invested in capital assets, net of debt	$ 817,624	$ 795,270	$ (22,354)
Restricted	44,584	47,525	2,941
Unrestricted	235,841	187,858	(47,983)
Total Net Assets	$ 1,098,049	$ 1,030,653	$ (67,396)

Revenues for the District decreased $220,382 a 38.5% decrease over the prior year. The largest decrease in revenue was in grants and contributions. The largest sources of funds are property taxes. These funds, plus revenue from contractual services, and other miscellaneous revenue enable the District the opportunity to fund the daily operations of the District as well as upgrading their equipment.

Total expenses increased $41,167, an increase of 10.9%. The largest increase in expenditures occurred in public safety. Grant revenue of $34,559 plus general fund revenue paid for equipment purchases for wildland firefighting, structural firefighting, and for specialized rescue.

With a 38.5% decrease in revenues compared to a 10.9% increase in expenditures, net assets for governmental activities decreased 6.1% over the prior year. This indicates that the District is basically in a slightly worse financial position than the previous year.

Government-wide financial statements (Continued)

Table 2
Changes in Net Assets

	2004	2005	2004-2005 Net Changes
Revenues			
Program Revenues:			
Charges for services	$ 11,265	$ 23,500	$ 12,235
Capital grants and contributions	257,524	34,559	(222,965)
General Revenues:			
Taxes	295,621	284,671	(10,950)
Restricted investment earnings	227	331	104
Unrestricted investment earnings	1,860	4,535	2,675
Miscellaneous	5,550	4,069	(1,481)
Total revenues	$ 572,047	$ 351,665	$ (220,382)
Program Expenses			
General government	$ 43,261	$ 40,206	$ (3,055)
Public safety	328,379	363,076	34,697
Interest and fiscal charges	4,257	5,929	1,672
Loss on disposal of fixed assets	1,997	9,850	7,853
Total expenses	$ 377,894	$ 419,061	$ 41,167
Excess (deficiency) before transfers	$ 194,153	$ (67,396)	$ (261,549)
Net Assets - beginning	$ 903,896	$ 1,098,049	$ 194,153
Net Assets - ending	1,098,049	1,030,653	(67,396)
Change in net assets	$ 194,153	$ (67,396)	$ (261,549)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised their budget once. The original budget was adopted on December 14th, 2004 and was adjusted on December 13th, 2005. The general fund budget was amended from $374,190 to $393,761 an increase of $19,571 and can be briefly summarized as follows:

- $19,571 increase in capital expenditures

The budget increase was due to an increase in grant revenues of $19,571.

The actual charges for expenditures were $385,804; this was $7,957 below the final budgeted amount. Resources for revenues were $356,806, $13,184 below the final budgeted amount. The most significant negative variance ($5,844) occurred in capital expenditures. See exhibit 7 on page 18.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2005, the District had invested $1,026,965 (net of accumulated depreciation) in capital assets. This amount represents a net decrease (including additions and deletions) of $74,524, or a 6.8% decrease over the previous year. See Table 3 below.

Table 3
Capital Assets at Year-End
(Net of Depreciation)

	2004	2005	Net Changes
Buildings	$ 164,204	$ 149,390	$ (14,814)
Equipment	937,285	877,575	(59,710)
Total assets	$ 1,101,489	$ 1,026,965	$ (74,524)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

This year's major additions included the following equipment:

Description	Cost	Funding Source
Compressed Air Foam System	$ 12,000.00	State Fire Dept Grant/General Fund
Washer/Extractor	6,785.00	FEMA Grant/General Fund
Chevrolet 3500 Truck	10,200.00	General Fund
Utility Trailer	5,600.00	Hazmat Funds
SCBA	3,955.00	FEMA Grant/General Fund

The District's fiscal year 2006 capital budget calls for spending $16,450 principally for equipment. The District anticipates paying for these projects with budgeted funds from the General Fund. The District also has budgeted for lease/purchase commitments of $40,269 for payments of two vehicles.

Long-term Debt

As presented in table 4 below, the total long-term debt of the District was $250,698, which included two capital leases and compensated absences. As of December 31, 2005, the District's debt decreased by $33,167 a reduction of 11.7% over the prior year. Additional information on the District's long-term debt can be found in the notes to the financial statements.

The District does not expect to add any debt during 2006.

Table 4
Outstanding Debt at Year-End

	2004	2005	Net Changes
Capital leases	$ 266,078	$ 229,747	$ (36,331)
Lease interest payable	2,557	1,948	(609)
Compensated absences	15,230	19,003	3,773
Total debt outstanding	$ 283,865	$ 250,698	$ (33,167)

ECONOMIC FORECAST AND FUTURE BUDGET

The Moab Valley Fire Protection District will continue to use its funding to protect its citizens and visitors from the effect of fire, hazardous materials emergencies, and other man-made and natural disasters. In the next few years, the District plans on building another fire station in the southern portion of the District. Funding for this project will come from a combination of grants, impact fees, and District revenue.

Future projects including purchasing mobile equipment for the new station, upgrading a 25-year-old fire engine, and renovations to station #1 will be funded from District revenue and CIB Grants. The District will continue to upgrade its small equipment including but not limited to, Personal Protective Equipment, SCUBA equipment, and small fire equipment.

The District will always seek funding sources to assure that its mobile equipment is replaced in a timely manner.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Wesley Brewer at 45 South 100 East, Moab, Utah 84532.

EXHIBIT 1

MOAB VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current assets:	
Cash	$ 93,507
Investments, at cost	9,342
Restricted:	
Cash	26,324
Receivables:	
Taxes	134,242
Accounts	800
Due from other governments	6,100
Prepaid lease	2,600
Total current assets	$ 272,915
Noncurrent assets:	
Capital assets	
Depreciable buildings and equipment, net	$ 1,026,965
Total noncurrent assets	$ 1,026,965
Total assets	$ 1,299,880

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

MOAB VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

		GOVERNMENTAL ACTIVITIES
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Current liabilities:		
Deferred revenue	$	18,529
Capital lease interest payable		1,948
Current portion of long-term obligations		37,270
Total current liabilities	$	57,747
Noncurrent liabilities:		
Compensated absences	$	19,003
Noncurrent portion of long-term obligations		192,477
Total noncurrent liabilities	$	211,480
Total liabilities	$	269,227
NET ASSETS:		
Invested in capital assets, net of related debt	$	795,270
Restricted for:		
General Fund		21,714
Capital Projects		25,811
Unrestricted		187,858
Total net assets	$	1,030,653
Total liabilities and net assets	$	1,299,880

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

MOAB VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

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:				
General government	$ 40,206			$ (40,206)
Public safety	365,676	$ 23,500	$ 34,559	(307,617)
Interest on long-term debt	3,329			(3,329)
Total governmental activities	$ 409,211	$ 23,500	$ 34,559	$ (351,152)

General Revenues:	
Taxes:	
Property taxes, levied for general purposes	$ 284,393
Property taxes, levied for debt service	278
Miscellaneous	4,069
Investment earnings	4,866
Gain/(loss) on disposal of assets	(9,850)
Total general revenues, special items, and transfers	$ 283,756
Change in net assets	$ (67,396)
Net assets - beginning	1,098,049
Net assets - ending	$ 1,030,653

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

MOAB VALLEY FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	GENERAL FUND	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	$ 91,822	$ 1,685		$ 93,507
Investments, at cost	9,342			9,342
Restricted:				
Cash	19,114		$ 7,210	26,324
Receivables:				
Taxes	134,241	1		134,242
Accounts	800			800
Other	6,100			6,100
Due from other funds		10,655	18,601	29,256
Total assets	$ 261,419	$ 12,341	$ 25,811	$ 299,571
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Due to other funds	$ 29,256			$ 29,256
Deferred revenue	18,529			18,529
Total liabilities	$ 47,785	$ ...	$ ...	$ 47,785
FUND BALANCES:				
Reserved for:				
General fund	$ 19,114			$ 19,114
Capital projects fund			$ 25,811	25,811
Unreserved, reported in:				
General fund	194,520			194,520
Debt service		$ 12,341		12,341
Total fund balances	$ 213,634	$ 12,341	$ 25,811	$ 251,786
Total liabilities and fund balances	$ 261,419	$ 12,341	$ 25,811	$ 299,571

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

MOAB VALLEY FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Total fund balances - governmental fund types:			$ 251,786
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.			
	Buildings	$ 149,390	
	Machinery & equipment	877,575	1,026,965
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not in the funds.			
	Capital lease interest payable	$ (1,948)	
	Capital lease payable - current portion	(37,270)	
	Capital lease payable - > one year	(192,477)	
	Compensated absences	(19,003)	(250,698)
Prepayments made on capital leases are expensed on the fund financial statements			2,600
Net assets of governmental activities			$ 1,030,653

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

MOAB VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUND DECEMBER 31, 2005
REVENUES:				
Taxes	$ 284,393	$ 278		$ 284,671
Charges for services	23,500			23,500
Intergovernmental	34,559			34,559
Interest revenue	4,785		$ 81	4,866
Miscellaneous	9,569			9,569
Total revenues	$ 356,806	$ 278	$ 81	$ 357,165
EXPENDITURES:				
Current -				
General government	$ 39,419			$ 39,419
Public Safety	258,101			258,101
Capital outlay	45,415			45,415
Debt service -				
Principal retirement	36,331			36,331
Payment to reserve account	2,600			2,600
Interest on long term debt	3,938			3,938
Total expenditures	$ 385,804	$ ...	$ ...	$ 385,804
Excess of revenue over (under) expenditures	$ (28,998)	$ 278	$ 81	$ (28,639)
FUND BALANCE, January 1,	242,632	12,063	25,730	280,425
FUND BALANCE, December 31,	$ 213,634	$ 12,341	$ 25,811	$ 251,786

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

MOAB VALLEY FIRE PROTECTION 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, 2005

Net changes in fund balances - total governmental funds		$	(28,639)
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 by which capital outlays ($45,415) was exceeded by depreciation ($104,589) in the current period.			(59,174)
The issuance of long-term debt (e.g., capital leases) provide current financial resources to governmental funds, while the repayment of the principal and interest of long-term debt consumes the current financial resources of governmental funds. In the Statement of Activity, principal payment on capital leases is not recorded and interest expense is recognized as it accrues, regardless of when it is due. Also, governmental funds report the effect of of issuance costs and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of capital leases and related items is as follows:			
Repayment of capital lease principal	$ 36,331		
Interest expense - capital lease	609		36,940
Prepayments made on capital leases are expensed on the fund financial statements			2,600
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.			(19,123)
Change in net assets of governmental activities		$	(67,396)

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

MOAB VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	BUDGET AMOUNTS			VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL AMOUNTS	FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes:				
Property taxes	$ 262,000	$ 262,000	$ 245,362	$ (16,638)
Other taxes			3,490	3,490
Fee-in-Lieu	30,000	30,000	35,541	5,541
Charges for services	26,000	26,000	23,500	(2,500)
Interest income	7,000	7,000	4,785	(2,215)
Grant revenue	15,000	34,571	34,559	(12)
Miscellaneous revenue	10,419	10,419	9,569	(850)
Total revenues	$ 350,419	$ 369,990	$ 356,806	$ (13,184)
EXPENDITURES:				
Current:				
General government				
Building maintenance	$ 14,000	$ 14,000	$ 1,123	$ 12,877
Utilities and telephone	10,000	10,000	11,582	(1,582)
Office supplies	3,000	3,000	2,294	706
Insurance	17,000	17,000	20,154	(3,154)
Accounting	1,950	1,950	2,907	(957)
Miscellaneous and publications	1,600	1,600	1,359	241
Total general government	$ 47,550	$ 47,550	$ 39,419	$ 8,131
Public safety				
Wages and fringe benefits	$ 178,371	$ 178,371	$ 174,727	$ 3,644
Member benefits	30,000	30,000	28,768	1,232
Equipment maintenance	15,000	15,000	27,525	(12,525)
Fire prevention	1,000	1,000	565	435
Fire conventions	4,000	4,000	1,904	2,096
Education	3,000	3,000	1,683	1,317
Specialty rescue	10,000	10,000	6,630	3,370
Supplies	17,000	17,000	1,471	15,529
Small equipment	8,000	8,000	14,828	(6,828)
Total public safety	$ 266,371	$ 266,371	$ 258,101	$ 8,270

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

MOAB VALLEY FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
Capital outlay:				
Capital expenditures	$ 20,000	$ 39,571	$ 45,415	$ (5,844)
Debt service	40,269	40,269	42,869	(2,600)
Total capital outlay and debt service	$ 60,269	$ 79,840	$ 88,284	$ (8,444)
Total expenditures	$ 374,190	$ 393,761	$ 385,804	$ 7,957
Excess of revenues and other sources over (under) expenditures and other uses	$ (23,771)	$ (23,771)	$ (28,998)	$ (5,227)
Fund balances - beginning of year	242,632	242,632	242,632	
Fund balances - end of year	$ 218,861	$ 218,861	$ 213,634	$ (5,227)

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

MOAB VALLEY FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District was organized by Grand County under the State of Utah's statutes governing fire protection districts. The District has a 3-member board that is elected by voters residing in the Moab Valley Fire Protection District.

All funds, including all financial activities over which the District has financial accountability, are included in this report. The District's financial reporting entity is comprised of all funds of the District, which constitute the primary government.

In determining the financial reporting entity, the District complies with the provisions of Governmental Accounting Standards Board Statement No. 14 (as amended by GASB Statement 39), The Financial Reporting Entity, and includes all component units of which the District appoints a voting majority of the units' board and the District is either able to impose its will on the unit or a financial benefit or burden relationship exits. Based upon the above criteria, the District has no component units.

B. Government –Wide and Fund 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. The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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 statements report information on all of the non-fiduciary activities of the District. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government –Wide and Fund Financial Statements (Continued)

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 with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, interest, charges for services, rents and earned but unreimbursed state and federal grants 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. Property taxes are recognized as revenue in the year for which they are levied. Amounts received or recognized as receivable at fiscal year end are included in the financial statements as taxes receivable. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The District 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 that are required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the District.

Capital Projects Fund – The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

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

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

D. Budgetary Data

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.

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

1. A formal budget is adopted for all funds which require a budget: all general, debt service and capital projects funds.
2. The budget is a complete financial plan, which 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. On or before the first regularly scheduled meeting of the governing body in November, the District clerk or manager prepares a tentative budget and submits it to the District Board.
4. The tentative budget is a public record and is available for public inspection for at least seven days prior to public hearings held to consider adoption of the budget.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data (Continued)

5. Notice of the scheduled public hearings is published at least seven days prior to the meeting.
6. A public hearing is held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the District Board.
7. The District Board considers the comments made by the public and makes final adjustments to the budget.
8. By December 31, the District 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 budget may be amended to reflect changes in circumstances, which occur during the year

E. Deposits and Investments

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

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

F. Due From Other Governments

Due from other governments in the governmental fund types consist of amounts due from the State of Utah for reimbursement on grant expenditures.

G. 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)

H. Capital Assets

Capital assets, which include buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. The District defines capital assets as assets with an initial individual cost of $1,000 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 cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset 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.

Buildings, equipment, and vehicles of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	20-50
Vehicles	10-20
Equipment	5-12

I. Long-Term Obligations

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

J. Net Asset Classifications

In the government-wide financial statements, net assets are displayed in three components:

1. Investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Asset Classifications (Continued)

Governmental fund equity is classified as fund balance. Fund balance is classified as either reserved or unreserved, with unreserved further split between designed and undesignated. Amounts are classified as reserved when amounts are required to be reserved for a specific purpose, either through legislation or third-party contracts. Unreserved amounts can be designated for a specific purpose by the District's Board.

K. Compensated Absences

Accumulated unpaid sick pay, vacation and other employee benefit amounts are not accrued in governmental funds (using the modified accrual basis of accounting) because the amounts are not payable from expendable available financial resources.

Vacation days accrue based on the number of years of service. Unused vacation time to a maximum of 10 days per calendar year may be compensated in the form of a cash payment available on January 1 of the year following accrual. An employee may elect to save unused vacation time and receive compensation for it when that employee separates from District service.

Sick days can be accumulated, by full-time employees with more than 3 months employment, at a rate of 2 hours for every 40 hours worked to a maximum of 1 eight-hour day per month with a maximum of 12 days per calendar year. Sick leave will be granted by the Chief/Administrator on a case-by-case basis. Unused sick leave time will not be compensated to employees.

Accrued unpaid vacation pay, which vests to the employee in the government-wide financial statements for governmental activities totaled $19,003 at December 31, 2005.

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.

The District maintains a cash 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 and investments are 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, 2005, the District's bank balance of cash on deposit was $128,641; of this amount $100,000 was insured and $28,641 of the deposits are uninsured and uncollateralized.

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, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10	More than 10
State of Utah Public Treasurer's Investment Fund	$ 9,342	$ 9,342			
Total Investments	$ 9,342	$ 9,342	$ ...	$ ...	$ ...

Interest Rate Risk

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

Credit Risk

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

At December 31, 2005, 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	$ 9,342				$ 9,342
Total	$ 9,342	$ ...	$ ...	$ ...	$ 9,342

2. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, the District had $9,342 invested in the Public Treasurer's Investment Fund and was held by them.

3. LONG-TERM DEBT

During 2003, the District entered into a lease purchase agreement for the purpose of purchasing a 2001 Ford F-550 Quick Attack fire truck and a 2003 Ford F-550 truck to be used as fire trucks. The total amount of the lease was $166,349. Lease payments are due on May 8, commencing on May 8, 2004. The following is a schedule of future minimum lease payments together with the present value of the minimum lease payments, as of December 31, 2005:

Payment Due	Payment Amount
May 8, 2006	$ 33,270
May 8, 2007	33,270
May 8, 2008	33,270
Total net minimum lease payments	$ 99,810
Less amount representing interest	6,063
Present value of net minimum lease payments	$ 93,747

3. LONG-TERM DEBT (Continued)

During 2002, the District entered into a sub-lease purchase agreement with Grand County for the purpose of purchasing a 2001 Ferrara aerial fire truck. The capital lease is a non interest-bearing lease in the amount of $150,000. Lease payments are due on July 15, commencing in 2004. The following is a schedule of future minimum lease payments together with the present value of the minimum lease payments, as of December 31, 2005:

Payment Due	Payment Amount
July 15, 2006	$ 7,000
July 15, 2007	7,000
July 15, 2008	7,000
July 15, 2009	7,000
July 15, 2010	7,000
2011-2015	37,000
2016-2020	40,000
2021-2023	24,000
Total net minimum lease payments	$ 136,000
Less amount representing interest	. . .
Present value of net minimum lease payments	$ 136,000

The changes in capital leases and compensated absences for the year ended December 31, 2005 are listed below:

Ogligation	Balance 01-01-05	Debt Retirement	New Issues	Balance 12-31-05	Due Within One Year
Capital leases	$ 266,078	$ (36,331)		$ 229,747	$ 37,270
Compensated absences	15,230		$ 3,773	19,003	
	$ 281,308	$ (36,331)	$ 3,773	$ 248,750	$ 37,270

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
Governmental activities:				
Capital assets being depreciated:				
Buildings	$ 394,530			$ 394,530
Equipment and vehicles	1,503,463	$ 45,415	$ (29,709)	1,519,169
Total capital assets being depreciated:	$ 1,897,993	$ 45,415	$ (29,709)	$ 1,913,699
Less accumulated depreciation for:				
Buildings	$ 230,326	$ 14,814		$ 245,140
Equipment and vehicles	566,178	89,775	$ (14,359)	641,594
Total accumulated depreciation	$ 796,504	$ 104,589	$ (14,359)	$ 886,734
Total capital assets being depreciated, net	$ 1,101,489	$ (59,174)	$ (15,350)	$ 1,026,965
Governmental activities capital assets, net	$ 1,101,489	$ (59,174)	$ (15,350)	$ 1,026,965

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General government	$ 787
Public safety	103,802
Total depreciation expense - governmental activities	$ 104,589

5. PENSION PLANS

At December 31, 2005, the District was participating in the Utah State Retirement Systems. Listed below is information pertaining to the retirement system.

Local Governmental - Cost Sharing

Plan Description. The District contributes to the Local Governmental Firefighter Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Firefighters Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members in the Local Governmental Firefighters Retirement System, are not required to contribute to the plan, but the District made payments in behalf of employees at the rate of 8.61% from January to June and 8.61% from July to December of their annual covered salaries. The contribution rates are the actuarially determined rates. The contribution requirements of the systems are authorized by statute and specified by the Board.

The District's contributions for the Firefighters Retirement System for December 31, 2005, 2004 and 2003 were $9,739.80, $8,786.88, and $8,001.73 respectively. The contributions were equal to the required contributions for each year.

The District also makes contributions to the employee's Defined Contribution System – 457 Plan and 401K Plan. The District's contributions to the employees' 457 Plan for the years ending December 31, 2005, 2004 and 2003 were $2,684.64, $2,684.64 and $2,684.64 respectively. The District's contributions to the employees 401k Plan for the years ending December 31, 2005, 2004 and 2003 were $1,267.68, $1,267.68 and $1,267.68 respectively.

6. RESTRICTED CASH

The District has restricted the funds held in the Injury Wage time certificate of deposit, which will be used in the event a firefighter is injured on the job.

7. CONTINGENT OBLIGATIONS

Management, the Board of Directors and legal counsel for the District are aware of no litigation involving the District, either in progress or pending, which would materially affect the financial statements as of December 31, 2005, nor of any material contingencies not otherwise disclosed in the Notes to Financial Statements contained herein.

8. PROPERTY TAX CALENDAR

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

9. BUDGET COMPLIANCE

Utah State law requires that budgetary compliance be measured on a fund level. During the year ended December 31, 2005, the general fund had a favorable variance.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injury to employees; and natural disasters. To eliminate as much as possible, the District's exposure, it has purchased insurance policies through commercial companies to cover the various areas of risk.

11. RESERVED FUND BALANCE

Fund balances in the General and the Capital Projects Funds have been reserved at December 31, 2005 as follows:

General Fund	
Injury wage funds	$ 19,114
Capital Projects Fund	
Capital improvements	$ 25,811

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

Board of Trustees
Moab Valley Fire Protection District
Moab, Utah 84532

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

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities and each major fund of Moab Valley Fire Protection District for the year ended December 31, 2005, and have issued our report thereon dated March 15, 2006. The District received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

Fire Department Assistance Grant (Department of Natural Resources Division of Forestry, Fire and State Lands)
Emergency Medical Services Grant (Department of Health, Bureau of Emergency Medical Services)

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

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

The District did not receive any major State grants during the year ended December 31, 2005.

The management of Moab Valley Fire Protection District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

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

In our opinion, Moab Valley Fire Protection District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

March 15, 2006

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Board of Trustees
Moab Valley Fire Protection District
Moab, Utah 84532

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

We have audited the financial statements of Moab Valley Fire Protection District as of and for the year ended December 31, 2005, and have issued our report thereon dated March 15, 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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 financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management 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.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

March 15, 2006

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Moab Valley Fire Protection District
Moab, Utah 84532

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Moab Valley Fire Protection District for the year ended December 31, 2005.

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

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

STATE OF UTAH GENERAL REQUIREMENTS

Notice of Budget Hearing

According to Utah Code section 17-36-12, the governing body of the District shall determine the place and time for a public hearing for the adoption of a budget or amended budget. A notice of this hearing is required to be published at least seven days before the hearing in at least one newspaper of general circulation within the District's boundaries. After reviewing the date of publication of the notice and the date of the hearing, we found the District had delivered the notice to the paper to be published with in seven days but the notice only advertised the hearing six days before the hearing was held.

We recommend the District review the requirements for advertising public hearings on the adoption of their budgets. We also recommend the District comply with the required timing of notices with regards to their budget.

District's Response

We will review the timing of the public notification regarding public hearings on the adoption or amendment of the District's budget and if necessary make changes to bring the District into compliance.

Treasurer Bond

The State of Utah requires every public treasurer to secure a fidelity bond for an amount that is a certain percentage of it's prior years budgeted gross revenues. This is according to Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council. We have calculated the amount that is required for the fidelity bond and the District is not bonded for the proper amount. The amount of the bond for the District should have been $30,785 but was $30,000. For the year ended December 31, 2006, the District should be bonded for 8% of the total budgeted revenues for the year ended December 31, 2005, which will be $29,599. We recommend that the District comply with State law and acquire a fidelity bond for the proper amount.

District's Response

The District will review bonding requirement for its Treasurer and make sure their bond is adequate to comply will state law.

SUMMARY

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

Sincerely,

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

March 15, 2006