PARK CITY FIRE SERVICE DISTRICT

Basic Financial Statements
Using the GASB 34 Model

Year Ended December 31, 2005

PARK CITY FIRE SERVICE DISTRICT
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To the Administrative Control Board
Park City Fire Service District

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the major funds, and the aggregate remaining fund information of Park City Fire Service 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 basic financial statements are the responsibility of Park City Fire Service District management. Our responsibility is to express opinions on these basic 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 *Governmental 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information, of Park City Fire Service District, as of December 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, during the year ended December 31, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2006, on our consideration of Park City Fire Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's Discussion and Analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Park City Fire Service District basic financial statements. The introductory section, combining and individual fund financial statements, and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Schmitt, Griffiths, Smith & Co., P.C.

February 3, 2006

PARK CITY FIRE SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2005

INTRODUCTION

The following is a discussion and analysis of Park City Fire Service District's (the District) financial performance and activities for the year ended December 31, 2005. Since the management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, we encourage readers to consider the information presented in conjunction with the District's Financial Statements.

FINANCIAL HIGHLIGHTS

Government-Wide

- The assets of Park City Fire Service District exceeded its liabilities at December 31, 2005 by $13,829,835 (net assets). Of this amount $7,073,819 (unrestricted net assets), may be used to meet the District's ongoing obligations.

Fund Level

- The District's governmental funds reported combined ending fund balances of $12,041,382 at December 31, 2005, a decrease of $796,780 from the previous year. Of the ending fund balances, $6,979,194 is available for spending at the District's discretion (unreserved fund balance). The key factors for the decrease in fund balances were as follows;

  - Revenue from property taxes and fees and permits increased approximately $529,000 and $501,500, respectively.

  - Expenditures for salaries and wages, operations and fringe benefits increased approximately $764,000, $386,000 and $192,000, respectively.

- At December 31, 2005, unreserved fund balance of the general fund was 89.1% of total general fund expenditures for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to Park City Fire Service District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains other supplementary information including combining statements for nonmajor funds.

Government-wide Financial Statements – Reporting the District as a Whole

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

The *statement of net assets* presents information on all of 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 changes in financial position of the District. In evaluating the government's overall condition, however additional non-financial factors should be considered such as the District's economic outlook, changes in its demographics, and the condition of its capital assets.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, 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).

Fund Financial Statements – Reporting the District's Most Significant Funds

The fund financial statements provide detailed information about individual major funds, and not the District as a whole. A fund is a group 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 laws and regulations. All of the funds of the District are governmental funds.

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

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital projects funds, both of which are considered major funds. Data from the other two funds are combined into a single, aggregate presentation. Individual fund data for each governmental fund is provided in the form of individual and combining statements elsewhere in this report.

Reconciliation Between Government-Wide and Fund Statements

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

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

Notes to the Financial Statements

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

Required Supplementary Information

Park City Fire Service District adopts an annual budget for all of its governmental funds. A budgetary comparison statement has been provided for the general and capital projects funds (major funds) to demonstrate compliance with its budget.

Supplementary and Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents combining and individual schedules referred to earlier in connection with the non-major governmental funds. They are presented immediately following the notes to the financial statements. Auditors' reports on compliance are also included at the end of the document.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net assets is an indicator of a government's financial position. In the case of Park City Fire Service District, assets exceeded liabilities by $13,829,835 at December 31, 2005.

- A large portion of the District's net assets (12.2%) reflects its investment in capital assets including land, buildings, construction-in-progress, vehicles and furniture and equipment net of accumulated depreciation, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the 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 capital assets themselves cannot be used to liquidate these liabilities.

Park City Fire Service District's
Net Assets
As of December 31, 2005 and 2004

	2005	2004
Current and other assets	$ 12,751,794	$ 13,304,568
Capital assets	9,095,084	6,772,580
Total assets	21,846,878	20,077,148
Current and other liabilities	901,779	638,213
Long-term liabilities outstanding	7,119,478	7,401,255
Total liabilities	8,021,257	8,039,468
Net assets:		
Invested in capital assets, net of related debt	1,693,829	943,666
Restricted	5,062,187	5,219,832
Unrestricted	7,073,819	5,874,182
Total net assets	$ 13,829,835	$ 12,037,680

At December 31, 2005, the District's net assets invested in capital assets, net of related debt, amounts to $1,693,829 or 12.2% of total assets. The investment in capital assets includes land, construction-in-progress, buildings and improvements, vehicles, furniture and equipment. Of the remaining portion of the District's net assets (36.6%) represents resources that are subject to external restrictions on how they may be utilized. The remaining balance ($7,073,819) may be used to meet the ongoing obligations to citizens and creditors.

At the end of the current year, the District was able to report positive balances in all three categories of net assets for the government activities and the government as a whole.

As noted in the subsequent table, governmental activities increased net assets by $1,792,155. Key elements of this increase were:

- The largest percent increase in revenues was from property taxes. Property tax revenues increased as a result of the following: increases in the certified tax rate, increases in taxable value of property and receipt of additional motor vehicle fees.

Park City Fire Service District
Changes in Net Assets
Years Ended December 31, 2005 and 2004

	2005	2004
Revenues:		
Program revenues:		
Charges for services	$ 1,747,510	$ 1,245,986
Operating grants and contributions	554,116	1,659,950
General revenues:		
Property taxes and fee-in-lieu fees	7,828,133	7,283,230
Other	350,146	128,193
Total revenues	10,479,905	10,317,359
Expenses:		
Fire protection and ambulance services	8,355,085	6,972,281
Interest on long-term liabilities	332,665	176,283
Total expenses	8,687,750	7,148,564
Increase in net assets	1,792,155	3,168,795
Net assets, beginning	12,037,680	8,868,885
Net assets, ending	$ 13,829,835	$ 12,037,680

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Fund Balances

At December 31, 2005, the District's governmental funds reported a combined ending fund balance of $12,041,382, a decrease of approximately 6.2% or $796,780. Approximately 58.0% of the total amount, or $6,979,194, constitutes unreserved fund balance, which is available for spending at the government's discretion. The reserved fund balance is not available for new spending as it has already been committed for a specific purpose. The key factors for the decrease in unreserved fund balance was an increase in revenues from property taxes, and fees and permits while the District had a large percentage increase in capital facilities and apparatus costs.

General Fund

The general fund is the main operating fund of the District. At December 31, 2005, fund balance of the general fund was $6,979,194. All of the fund balance was unreserved and undesignated. Unreserved fund balance was equal to 89.1% of total general fund expenditures. The general fund balance increased by 20.9% or $1,205,036. The key factors for the increase in unreserved fund balance was an increase in revenues from property taxes, and fees and permits.

General Fund Budgetary Highlights

During the year, the general fund budget was amended from $8,650,000 to $9,030,000 in expenditures, an increase of $380,000 or 4.4%.

Budget increases were as follows: operations $135,000, general and administrative $22,000, and capital outlay $79,000. Budget decreases were as follows: salaries and wages $53,000 and fringe benefits $106,500.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

Park City Fire Service District's investment in capital assets for governmental activities at December 31, 2005 was $9,095,084 (net of depreciation). The investment in capital assets includes land, buildings, construction in process, vehicles, and furniture and equipment. The District's total investment in capital assets increased $2,322,504 or 34.3%. Major capital asset events during the current year were:

- Construction costs incurred in construction of a new fire station completed during March 2005 and a new fire station to be completed during March 2006.
- Acquisition or donation of three new fire vehicles.

Park City Fire Service District
Capital Assets, Net of Depreciation
December 31, 2005 and 2004

	2005	2004
Land	$ 1,558,007	$ 1,566,007
Construction-in-progress	1,445,772	1,120,184
Buildings and improvements	3,530,481	1,945,793
Vehicles	2,401,239	2,013,996
Furniture and equipment	159,585	126,600
	$ 9,095,084	$ 6,772,580

Additional information on the District's capital assets is available in the notes to the financial statements.

Long-Term Debt

On December 31, 2005, long-term outstanding debt of the District was $7,401,255. This amount has been classified as capital lease obligations.

More information about long-term debt is included in the notes to the financial statements.

OTHER MATTERS

- Property tax revenue will continue to grow as real estate values are expected to increase during 2006 in the Park City and Summit County areas.
- Impact fee revenue is expected to increase during 2006.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Park City Fire Service District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Park City Fire Service District, P.O. Box 980010, Park City, Utah 84098-0010.

PARK CITY FIRE SERVICE DISTRICT
Statement of Net Assets
December 31, 2005

	Governmental Activities
Assets:	
Cash and cash equivalents	$ 6,820,130
Receivables:	
Property taxes	724,176
Other	326,593
Debt issuance costs, net	230,144
Other assets	3,406
Restricted assets:	
Cash and cash equivalents	35
Cash - deposited in public treasurer's investment fund	1,951,634
Investments	2,695,676
Capital assets:	
Land	3,003,779
Other capital assets, net of depreciation	6,091,305
Total assets	21,846,878
Liabilities:	
Accounts payable	223,596
Accrued interest	135,520
Accrued liabilities	260,886
Noncurrent liabilities:	
Due within one year	281,777
Due in more than one year	7,119,478
Total liabilities	8,021,257
Net Assets:	
Invested in capital assets, net of related debt	1,693,829
Restricted for:	
Special revenue	910,444
Capital projects	4,151,743
Unrestricted	7,073,819
Total net assets	$ 13,829,835

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

PARK CITY FIRE SERVICE DISTRICT
Statement of Activities
Year Ended December 31, 2005

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental activities:					
Fire protection and ambulance services	$ 8,355,085	$ 1,747,510	$ 554,116	$ -	$ (6,053,459)
Interest on long-term liabilities	332,665	-	-	-	(332,665)
Total fire district	$ 8,687,750	$ 1,747,510	$ 554,116	$ -	(6,386,124)
General revenues:					
Property taxes levied for:					
General purposes					7,534,724
Fee-in-lieu					293,409
Earnings on investments					243,147
Miscellaneous					106,999
Total general revenues					8,178,279
Change in net assets					1,792,155
Net assets - beginning					12,037,680
Net assets - ending					$ 13,829,835

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

PARK CITY FIRE SERVICE DISTRICT
Balance Sheet
Governmental Funds
December 31, 2005

	General	Capital Projects	Other Non-major Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 116,200	$ 3,467	$ 5,958	$ 125,625
Cash - deposited in public treasurer's investment fund	6,152,699	541,806	-	6,694,505
Receivables (no allowance deemed necessary):				
Accounts receivable	75,409	3,930	-	79,339
Taxes	724,176	-	-	724,176
Ambulance operations	247,254	-	-	247,254
Due from other funds	4,215	-	-	4,215
Other assets	-	-	3,406	3,406
Restricted assets:				
Cash and cash equivalents	-	35	-	35
Cash - deposited in public treasurer's investment fund	-	1,049,254	902,380	1,951,634
Investments	-	2,695,676	-	2,695,676
Total assets	$ 7,319,953	$ 4,294,168	$ 911,744	$ 12,525,865
Liabilities and fund balances:				
Liabilities:				
Accounts payable	$ 84,087	$ 138,209	$ 1,300	$ 223,596
Accrued liabilities	256,672	-	-	256,672
Due to other funds	-	4,215	-	4,215
Total liabilities	340,759	142,424	1,300	484,483
Fund Balances:				
Reserved for:				
Special revenue funds - fire protection	-	-	910,444	910,444
Capital projects fund	-	4,151,744	-	4,151,744
Unreserved:				
Undesignated, reported in:				
General fund	6,979,194	-	-	6,979,194
Total fund balances	6,979,194	4,151,744	910,444	12,041,382
Total liabilities and fund balances	$ 7,319,953	$ 4,294,168	$ 911,744	$ 12,525,865

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

PARK CITY FIRE SERVICE DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
December 31, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance - governmental funds	$ 12,041,382
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $12,212,643 and the accumulated depreciation is $3,117,559.	9,095,084
To recognize interest accrual and miscellaneous accrual for the new capital lease obligation and other capital lease obligations to year end.	(135,520)
Capital lease issuance costs are reported as expenditures in the governmental funds.	230,144
Long-term liabilities, including capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds.	(7,401,255)
Total net assets - governmental activities	$ 13,829,835

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

PARK CITY FIRE SERVICE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005

	General	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	$ 7,534,724	$ -	$ -	$ 7,534,724
Fee-in-lieu	293,409	-	-	293,409
Interest income	102,821	112,609	27,717	243,147
Other income	106,999	-	-	106,999
Grants and donations	554,128	-	-	554,128
Fees and permits	1,163,111	-	584,399	1,747,510
Total revenues	9,755,192	112,609	612,116	10,479,917
Expenditures:				
Current:				
Personnel:				
Salaries and wages	5,048,312	-	-	5,048,312
Fringe benefits	1,496,005	-	-	1,496,005
Operations	1,002,220	113,423	24,511	1,140,154
General and administrative	102,997	-	-	102,997
Capital outlay	184,847	2,695,280	-	2,880,127
Debt service:				
Principal retirement	-	-	271,831	271,831
Interest and fiscal charges	-	-	337,271	337,271
Total expenditures	7,834,381	2,808,703	633,613	11,276,697
Excess (deficiency) of revenues over (under) expenditures	1,920,811	(2,696,094)	(21,497)	(796,780)
Other financing sources (uses):				
Operating transfers	(715,775)	500,000	215,775	-
Net change in fund balances	1,205,036	(2,196,094)	194,278	(796,780)
Fund balances - beginning	5,774,158	6,347,838	716,166	12,838,162
Fund balances - ending	$ 6,979,194	$ 4,151,744	$ 910,444	$ 12,041,382

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

PARK CITY FIRE SERVICE DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Government Funds to the Statement of Activities
Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds		$ (796,780)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than $5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	$ 2,880,127	
Depreciation expense	(545,898)	
Proceeds from sale of capital assets	(5,000)	
Gain on sale of capital assets	(6,725)	2,322,504
Fixed assets acquired by capital leases are shown as an expenditure and other financing source in the governmental funds. The other financing source must be removed from the statement of activities; principal payments are applied to the lease liability; interest expense is recognized as it accrues.		
Principal payments of capital leases	271,831	
Interest expense - capital lease obligation	3,913	275,744
The governmental funds report proceeds of capital lease obligations (CLO) as an other financing source, while repayment of the CLO principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of capital lease obligations and related items is as follows:		
Interest expense - capital lease obligation	693	
Amortization of capital lease obligation issuance costs	(10,006)	(9,313)
Change in net assets of governmental activities		$ 1,792,155

PARK CITY FIRE SERVICE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
General Fund
Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes	$ 6,820,000	$ 7,010,000	$ 7,534,724	$ 524,724
Fee-in-lieu	230,000	220,000	293,409	73,409
Interest income	35,000	75,000	102,821	27,821
Other income	350,000	110,000	106,999	(3,001)
Grants and donations	150,000	510,000	554,128	44,128
Fees and permits	1,065,000	1,105,000	1,163,111	58,111
Total revenues	8,650,000	9,030,000	9,755,192	725,192
Expenditures:				
Personnel:				
Salaries and wages	5,025,750	4,972,750	5,048,312	(75,562)
Fringe benefits	1,722,482	1,615,982	1,496,005	119,977
Operations	1,077,768	1,212,768	1,002,220	210,548
General and administrative	109,000	131,000	102,997	28,003
Capital outlay	155,000	234,000	184,847	49,153
Total expenditures	8,090,000	8,166,500	7,834,381	332,119
Excess of revenues over expenditures	560,000	863,500	1,920,811	1,057,311
Other financing sources (uses):				
Operating transfers to other funds	(560,000)	(715,000)	(715,775)	(775)
Excess of revenues and other financing sources over (under) expenditures and net change in fund balances	-	148,500	1,205,036	1,056,536
Fund balances - beginning	5,774,158	5,774,158	5,774,158	-
Fund balances - ending	$ 5,774,158	$ 5,922,658	$ 6,979,194	$ 1,056,536

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

Note 1. Summary of Significant Accounting Policies

The financial statements of Park City Fire Service District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparation of the accompanying financial statements. In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain of the significant changes in the Statement include the following:

- The financial statements include:

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

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

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

These and other changes are reflected in the accompanying financial statements as of December 31, 2005.

A. Reporting Entity

Park City Fire Service District (the District) is an independent special service district created in 1984 by Summit County to provide fire protection services to Park City and ninety-six square miles of western Summit County. The financial statements and notes are the representations of Park City Fire Service District's management, which is responsible for their integrity and objectivity. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

A. Reporting Entity, Continued

The District is governed by a five member board of commissioners, which are appointed by the Summit County Commission. The District is a legally separate entity, possesses the powers to set its own budget, incur debt, to sue, and be sued, and to own and lease property. The County exercises no significant controlling powers over the District. As such, the District is not a component unit as defined by the Governmental Accounting Standards Board in their statement number 14 "The Financial Reporting Entity." Further, as defined in this statement, the District has no component units, which should be included in the accompanying financial statements. The District has not created any separate political subdivisions, nor does it exercise any political or financial control over any other entity.

B. Government-Wide and Fund Financial Statements Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those, which are clearly identifiable with a specific program. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A statement is presented for governmental activities. This statement presents each major fund as a separate column of the fund financial statements. The District has two major funds: general and capital projects funds and two non-major funds: special revenue and debt service funds.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

B. Government-Wide and Fund Financial Statements Basis of Presentation, Continued

Fund Financial Statements, Continued

General Fund

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment.

The District's remaining nonmajor governmental funds account for specific revenue sources that are legally restricted to expenditures for specific purposes. Funds included are the special revenue and debt service funds.

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

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reporting in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers amounts collected within 60 days after year end to be available. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

D. Assets, Liabilities and Net Assets or Equity

Following are the District's significant policies regarding recognition and reporting of certain assets, liabilities and equity.

D. Assets, Liabilities and Net Assets or Equity, Continued

Cash and Investments

Unrestricted and restricted cash balances of all funds are combined to form a pool of cash and investments, which is managed by management of the District. Utah State Statutes allow for investments in the Utah Public Treasurers' Investment fund and Utah Money Management Act (UMMA) approved financial statements.

The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds. The District invests unrestricted cash with the Utah Public Treasurer's Investment Fund and with a financial institution on the approved list. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash and investments. Short term investments that are readily convertible to cash and have an original maturity date of three months or less are defined as cash equivalents.

Funds held in a bank account for future construction projects are invested in financial instruments in compliance with the Utah Money Management Act.

Receivables

As of year end, the District recorded receivables from Summit and Wasatch Counties for property taxes and reimbursements for ambulance operations. Each year an allowance for uncollectible receivables is evaluated and adjusted to the level deemed necessary. An allowance was not deemed necessary as of year end.

Restricted Assets

The District imposes impact fees on building construction. Proceeds from impact fees are recorded in the special revenue fund and are restricted for fire protection for the specific geographical area from which the fees were collected and can only be used for capital facilities to provide fire protection primarily for that area. Restricted assets are also comprised of cash restricted for future payments of principal and interest on debt service as well as unexpended portions of capital leases issued for capital construction purposes.

D. Assets, Liabilities and Net Assets or Equity, Continued

Capital Assets

Capital assets, which include land, buildings, construction-in-progress, vehicles and furniture and equipment, are reported in the governmental columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date of donation. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The District uses a vehicle, which is owned by Park City and is not reflected in the capital assets.

Assets, having an original cost of $5,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	40 years
Vehicles	5 – 10 years
Furniture and equipment	5 – 10 years
Buildings and equipment under capital leases	5 – 40 years

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation leave and comp time that are not expected to be liquidated with expendable available resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave and comp time is recorded as an expense and a liability as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave. Accumulated sick leave is paid to employees upon retirement, with a maximum payment of 363.75 hours for full-time suppression personnel and 240 hours for full-time administrative personnel. Employees that are terminated for reasons other than retirement are not paid for accumulated sick leave. The liability for accumulated sick pay amounts is not accrued.

D. Assets, Liabilities and Net Assets or Equity, Continued

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize debt issue costs during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets/Fund Balances

The difference between assets and liabilities is reported as net assets on the government-wide and fund balance on the governmental fund statements.

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

E. Revenues and Expenditures

Following are the District's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

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

Expenditure Recognition

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

E. Revenues and Expenditures, Continued

Expenditure Recognition, Continued

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

F. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in the fund financial statements, but are generally excluded from the government-wide financial statements.

G. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. 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, and natural disasters for which the District carries commercial insurance. The District also carries commercial workers' compensation insurance. There are no significant reductions in coverage from the prior year, and settlement claims resulting from these risks did not exceed commercial insurance coverage during the past year.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanations of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of nets assets versus the current financial resources focus of the governmental fund balance sheets:

Explanations of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets, Continued

Capital related items:

When capital assets (land, buildings, construction in progress, vehicles and furniture and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes capital assets of the District as a whole.

Cost of capital assets	$ 12,212,643
Accumulated depreciation	(3,117,559)
	$ 9,095,084

Long-term debt transactions:

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund financials. All liabilities (both current and long-term) are reported in the statement of net assets. Balances as of December 31, 2005 were:

Interest payable on long-term debt	$ 135,520
Issuance costs - capital lease obligation	(230,144)
Capital lease obligations	7,401,255
	$ 7,306,631

Explanation of Certain Differences Between Governmental Fund Operating Statements and the Statement of Net Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	$ 2,880,127
Depreciation expense	(545,898)
Proceeds from sale of capital assets	(5,000)
Gain on sale of capital assets	(6,725)
Principal payments of capital leases	271,831
Accrued interest expense - capital lease obligations	4,606
Amortization of deferred issuance costs	(10,006)
	$ 2,588,935

Note 3. Stewardship, Budgetary Compliance and Accountability

Budgetary Information

The District operates within the budget requirements for special service districts as specified by state law. Under state law, an annual budget is required for all governmental fund types. The financial reports reflect the following budgetary standards:

- For the fiscal year beginning January 1, the District Commission prepares a proposed budget for the governmental fund types, which is presented to the Summit County Commission on or before December 15.

- By resolution, the District Commission legally adopts a budget prior to December 15, after a public hearing has been held.

Budgetary Information, Continued

- Once adopted, the budget can be amended to any extent by subsequent District Commission action. Reductions in appropriations can be approved by the District Commission, but increased appropriations require a public hearing prior to amending the budget.

- Any adjustments in estimated revenue and revisions of appropriations due to operational changes in categorical program funding are integrated into the amended budget approved by the Commissions of the District and County.

- A final amended budget is legally approved by the District and County Commissioners prior to the end of the fiscal year. The Board amended the budget for the current year.

- Total budgeted expenditures may not exceed the revenues expected to be received for the fiscal year plus the fund balance.

Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by the District when they are collected. Property taxes on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Summit and Wasatch Counties on behalf of the District and remitted to the District monthly. At December 31, 2005, only delinquent taxes are uncollected. Property taxes received by the District within 60 days after year end are recorded as revenue as of year end.

Note 4. Cash

The District maintains a cash and investment pool that is available for use by all funds.

At December 31, 2005, the carrying amount of the District's deposits was $125,625 and the bank balance was $219,216. Of the bank balance, $100,000 is covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statue. The bank balance is categorized as either: 1) insured or collateralized with securities held by the entity or by its agent in the entity's name, 2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name, or 3) uncollateralized.

	Category			
Description	1	2	3	Amount and Value
Cash - Wells Fargo Bank	$ 100,000	$ -	$ 119,216	$ 219,216
Investments not subject to categorization:				
Pool cash - Utah Public Treasurers' Investment Fund	-	-	-	8,646,139
Investment in Federal Home Loan Mortgage Corporation	-	-	-	1,595,676
Investment in Federal National Mortgage Association	-	-	-	1,100,000
	$ 100,000	$ -	$ 119,216	$ 11,561,031

The deposits and investments described above are included on the government-wide statement of net assets as follows:

Cash and cash equivalents	$ 6,913,686
Restricted cash, cash equivalents, and investments	4,647,345
	$ 11,561,031

Note 5. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	$ 1,566,007	$ -	$ (8,000)	$ 1,558,007
Construction-in-progress	1,120,184	2,008,999	(1,683,411)	1,445,772
Total capital assets, not being depreciated	2,686,191	2,008,999	(1,691,411)	3,003,779
Capital assets, being depreciated:				
Buildings and improvements	2,661,530	1,683,411	-	4,344,941
Vehicles	3,862,114	811,954	(66,178)	4,607,890
Equipment	209,170	59,173	(18,760)	249,583
Furniture and fixtures	6,450	-	-	6,450
Total capital assets, being depreciated	6,739,264	2,554,538	(84,938)	9,208,864
Accumulated depreciation for:				
Buildings and improvements	(715,737)	(98,723)	-	(814,460)
Vehicles	(1,848,118)	(423,235)	64,702	(2,206,651)
Equipment	(84,989)	(23,295)	16,512	(91,772)
Furniture and fixtures	(4,031)	(645)	-	(4,676)
Total accumulated depreciation	(2,652,875)	(545,898)	81,214	(3,117,559)
Total capital assets, being depreciated, net	4,086,389	2,008,640	(3,724)	6,091,305
Governmental activities capital assets, net	$ 6,772,580	$ 4,017,639	$(1,695,135)	$ 9,095,084

Depreciation expense of governmental activities was charged to fire protection and ambulance services in the amount of $545,898.

A reclassification was made to the beginning balances to conform to presentation in the current year.

Note 6. Obligations under Capital Leases

During 2004, the District entered into a capital lease obligation with a bank to construct four fire stations, a training facility, an administrative office building and the purchase of fire equipment. The District financed $6,751,000 over a twenty-five year period. Interest is calculated at 4.44%. Interest only payments are required through July 31, 2008.

Construction of the stations and purchase of the equipment was funded by a bank using monies received from the capital lease obligation. Under the terms of the agreement, everything purchased with funds from this agreement become part of the capital lease agreement; therefore, the total amount financed was capitalized by the District under the capital lease obligation.

Note 6. Obligations under Capital Leases, Continued

During 2001, the District leased two fire engines under capital lease. The leases are for seven years with the first payment due during 2001. Interest is calculated at 6.12% and 5.72% on the two leases, respectively. Costs for vehicles of $1,029,410 have been capitalized.

The vehicle leases are for five years with the first payment due during 2004. Interest is calculated at 5.13%. Costs for vehicles of $243,486 were capitalized. In addition, capital leases, which totaled $949,168, were refinanced into a capital lease for four years with the first payment due during 2004. Interest is calculated at 3.4%. The District is not obligated in any manner for special assessment debt. Minimum future lease payments under the capital leases as of December 31, 2005, were as follows:

Years Ending December 31,	
2006	$ 606,469
2007	606,469
2008	567,043
2009	487,442
2010	486,739
Thereafter	9,253,530
Total minimum lease payments	12,007,692
Less: amount representing interest	(4,606,437)
Present value of minimum lease payments	$ 7,401,255
Due within one year	$ 281,777
Due in more than one year	7,119,478
	$ 7,401,255

A summary of changes in long-term debt consisted of capital lease obligations as follows:

Balance at December 31, 2004	$ 7,673,086
Additions	-
Payments	(271,831)
Balance at December 31, 2005	$ 7,401,255

Note 7. Retirement Plan

Plan Description

The District contributes to the Local Governmental Noncontributory Retirement System and Firefighters Retirement System, which are for employers without Social Security coverage cost-sharing multiple employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, and death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs 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 Systems and Plans. 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

Employer and employee contribution rates for the year ended December 31, 2005 are as follows:

	Employer	Employee	Total
Firefighters	7.83%	0.00%	7.83%
Noncontributory	11.09%	0.00%	11.09%

The Plan covers all full-time employees. Total gross payroll for firefighters and ambulance operations was $5,048,312. Gross payroll covered by the retirement plan was $3,821,601 In the Firefighters Retirement System for employers without Social Security coverage, and in the Noncontributory Retirement System, plan members are not required to contribute to the retirement plan. The plan members were obligated to pay the rate detailed in the schedule above for, the year ended December 31, 2005, however, the District paid the entire contribution. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Note 7. Retirement Plan, Continued

Funding Policy, Continued

District contributions to the various systems for the year ended December 31, 2005, were $280,865 for the Firefighters Systems, and $26,014 for the Noncontributory System, the contributions were equal to the required contributions.

The District maintains a deferred compensation plan under Internal Revenue Code Section 457. Payments are made on a semi-monthly basis to the plan for deposit into a mutual fund. The District has a fiduciary responsibility to use these funds to cover future benefits of employees. The funds are available to employees upon retirement or leaving the District. Part-time employees participating in this plan contribute 5%, and the District contributes 10%. If the employee participates in the Utah Retirement Systems, the District does not contribute to the IRS Section 457 plan. The District's total expenditure for the 457 plan for the year ended December 31, 2005 was approximately $15,891. The amount paid by the employees during the year was approximately $183,426.

The District also participates in the 401k and 457 plans of the Utah Retirement Systems. The District's total expenditure for the year ended December 31, 2005 for these plans was $25,124.

Note 8. Post Employment Benefits

Employees of the District have been offered participation in a post-employment benefits program, as set forth in the Utah Code. In order to qualify, the employee must have worked for the District for a minimum of one year. As of December 31, 2005, there were two individuals who participated in the program. The program is funded by a discretionary contribution by the District, which totaled $225,000 for the year ended December 31, 2005. The Plan covers post-employment health insurance and other out-of-pocket expenses of participants up to the amount contributed by the District on their behalf, subject to market fluctuation.

Note 9. Interlocal Cooperation Agreement

On March 6, 1996, the District entered into an interlocal cooperation agreement with Summit County to provide emergency medical care in Western Summit County. The agreement is effective for a period of not less than six years, unless terminated by either party. In accordance with the agreement, Park City Fire Service District is responsible for the operation and staffing of the ambulance and emergency medical services in Western Summit County. Summit County is responsible for the purchase and maintenance of the ambulances.

Note 10. Interfund Receivables and Payables

Interfund transactions among governmental fund types occurred during the year. These transactions arose principally from debt service requirements. Transactions that have not resulted in the actual transfer of cash as of the end of the year are recorded as amounts due from (fund receivable) and due to (fund liability) other funds. For financial reporting purposes, current amounts due from and to the same fund are offset and, the net amounts are shown in the respective fund balance sheet. At the end of each year, the amount of interfund receivables is equal to the amount of interfund payables.

PARK CITY FIRE SERVICE DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets:			
Cash in banks	$ 5,958	$ -	$ 5,958
Other assets	3,406	-	3,406
Restricted assets:			
Cash - deposited in public treasurer's investment fund	902,380	-	902,380
Total assets	$ 911,744	$ -	$ 911,744
Liabilities:			
Accounts payable	$ 1,300	$ -	$ 1,300
Total liabilities	1,300	-	1,300
Fund balances:			
Reserved for fire protection	910,444	-	910,444
Total fund balances	910,444	-	910,444
Total liabilities and fund balances	$ 911,744	$ -	$ 911,744

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

PARK CITY FIRE SERVICE DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2005

	Special Revenue	Debt Service	Nonmajor Governmental Funds
Revenues:			
Interest income	$ 27,717	$ -	$ 27,717
Fees and permits	584,399	-	584,399
Total revenues	612,116	-	612,116
Expenditures:			
Operations	24,511	-	24,511
Debt Service			
Principal retirement	-	271,831	271,831
Interest and fiscal charges	-	337,271	337,271
Total expenditures	24,511	609,102	633,613
Excess (deficiency) of revenues over (under) expenditures	587,605	(609,102)	(21,497)
Other financing sources (uses):			
Operating transfers from other funds	-	609,102	609,102
Operating transfers to other funds	(393,327)	-	(393,327)
Total other financing sources (uses)	(393,327)	609,102	215,775
Excess of revenues and other financing sources over expenditures and net change in fund balances	194,278	-	194,278
Fund balances - beginning	716,166	-	716,166
Fund balances - ending	$ 910,444	$ -	$ 910,444

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

PARK CITY FIRE SERVICE DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual
Nonmajor Governmental Funds
Year Ended December 31, 2005

	Special Revenue			Debt Service			Total Nonmajor Governmental Funds		
	Final Budgeted Amounts	Revenue and Expenditures	Variance Postive (Negative)	Final Budgeted Amounts	Revenue and Expenditures	Variance Postive (Negative)	Final Budgeted Amounts	Revenue and Expenditures	Variance Postive (Negative)
Revenues:									
Interest income	$ 25,000	$ 27,717	$ 2,717	$ -	$ -	$ -	$ 25,000	$ 27,717	$ 2,717
Fees and permits	550,000	584,399	34,399	-	-	-	550,000	584,399	34,399
Total revenues	575,000	612,116	37,116	-	-	-	575,000	612,116	37,116
Expenditures:									
Operations	35,000	24,511	10,489	-	-	-	35,000	24,511	10,489
Debt Service									
Principal retirement	-	-	-	272,000	271,831	169	272,000	271,831	169
Interest and fiscal charges	-	-	-	343,000	337,271	5,729	343,000	337,271	5,729
Total expenditures	35,000	24,511	10,489	615,000	609,102	5,898	650,000	633,613	16,387
Excess of revenues over (under) expenditures	540,000	587,605	47,605	(615,000)	(609,102)	5,898	(75,000)	(21,497)	53,503
Other financing sources (uses):									
Operating transfers from (to) other funds	(400,000)	(393,327)	6,673	615,000	609,102	(5,898)	215,000	215,775	775
Total other financing sources (uses)	(400,000)	(393,327)	6,673	615,000	609,102	(5,898)	215,000	215,775	775
Excess of revenues and other financing sources over (under) expenditures and net change in fund balances	140,000	194,278	54,278	-	-	-	140,000	194,278	54,278
Fund balances - beginning	716,166	716,166	-	-	-	-	716,166	716,166	-
Fund balances - ending	$ 856,166	$ 910,444	$ 54,278	$ -	$ -	$ -	$ 856,166	$ 910,444	$ 54,278

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

PARK CITY FIRE SERVICE DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Major Capital Projects Fund
Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Interest income	$ 5,000	$ 100,000	$ 112,609	12,609
Other income	50,000	-	-	-
Total revenues	55,000	100,000	112,609	12,609
Expenditures:				
Operations	120,200	60,400	113,423	(53,023)
Capital outlay	2,960,000	3,114,600	2,695,280	419,320
Total expenditures	3,080,200	3,175,000	2,808,703	366,297
Excess of revenues over (under) expenditures	(3,025,200)	(3,075,000)	(2,696,094)	378,906
Other financing sources (uses):				
Operating transfers from other funds	250,000	500,000	500,000	-
Total other financing sources (uses)	250,000	500,000	500,000	-
Excess of revenues and other financing sources over (under) expenditures and net change in fund balances	(2,775,200)	(2,575,000)	(2,196,094)	378,906
Fund balances - beginning	6,347,838	6,347,838	6,347,838	-
Fund balances - ending	$ 3,572,638	$ 3,772,838	$ 4,151,744	$ 378,906

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

INDEPENDENT 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*

To the Administrative Control Board
Park City Fire Service District

We have audited the basic financial statements of Park City Fire Service District as of and for the year ended December 31, 2005, and have issued our report thereon dated February 3, 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 Park City Fire Service District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement accounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Park City Fire Service 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 assurance on the internal control over financial reporting. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Park City Fire Service District's ability to record, process, summarize, and report the financial data consistent with the assertions of management in the basic financial statements. We noted no matter involving the internal control over financial reporting that we consider to be reportable conditions.

A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving internal control over financial reporting that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, others within the organization, Administrative Control Board, 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.

Schmidt, Gizzillo, Smith & Co., P.C.

February 3, 2006

PARK CITY FIRE SERVICE DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2005

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

Findings 04-1: Compliance with Reporting Deadline

Condition: OMB Circular A-133 requires that the Single Audit reporting package be submitted within nine months of the end of the reporting period.

Recommendation: We recommend that the policies and procedures be reviewed to ensure timely reporting.

Management response: The District will establish a better tracking system to assure timely submission of required reports as outlined in OMB Circular A-133.

Status: Recommendation implemented

Schedule of Findings and Questioned Costs
Year Ended December 31, 2005

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Park City Fire Service District.

2. No reportable conditions were disclosed during the audit of the financial statements.

3. No instances of noncompliance material to the financial statements of Park City Fire Service District were disclosed during the audit.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

Schmitt, Griffiths, Smith & Co., P.C.

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Shorman H. Smith, MBA, CFP, CPA
Brent H. Griffiths, MBA, CPA
Mark C. Furniss, CPA
Stuart L. Tholen, CPA
Dan C. Milne, MIM, CMA, CPA
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INDEPENDENT AUDITORS' REPORT ON THE STATE OF UTAH LEGAL COMPLIANCE

To the Administrative Control Board
Park City Fire Service District

We have audited the basic financial statements of Park City Fire Service District for the year ended December 31, 2005, and have issued our report thereon dated February 3, 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 basic financial statements.)

Utah Emergency Medical Services (Department of Health)
Fire Department Assistance (Department of Natural Resources)

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
Special Districts
Other General Compliance issues
Impact Fees

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

The management of the 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 generally accepted auditing standards 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.

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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

Schmitt, Griffiths, Smith & Co., P.C.

February 3, 2006

PARK CITY FIRE SERVICE DISTRICT

OMB Circular A-133 and Other Required Reports

Year Ended December 31, 2004

PARK CITY FIRE SERVICE DISTRICT
Required Supplementary Information and
Other Required Reports
Year Ended December 31, 2004

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Schmitt, Griffiths, Smith & Co., P.C.

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

To the Administrative Control Board
Park City Fire Service District

We have audited the basic financial statements of Park City Fire Service District as of and for the year ended December 31, 2004, and have issued our report thereon dated February 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Park City Fire Service 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements 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 internal control over financial reporting that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Park City Fire Service District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement accounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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This report is intended solely for the information and use of the management, others within the organization, Administrative Control Board, 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.

Schmitt, Griffith, Smith & Co., P.C.

February 15, 2005

Shawn E. Smith, CPA
Jon R. Griffiths, MBA, CPA
Mark C. Parmin, CPA
Susan L. Tholen, CPA
Dan C. Miles, MBA, CMA, CPA
Nikki J. Thoe, MAcc, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Administrative Control Board
Park City Fire Service District

Compliance

We have audited the compliance of Park City Fire Service District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Park City Fire Service District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Park City Fire Service District's management. Our responsibility is to express an opinion on Park City Fire Service District's compliance based on our audit.

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

In our opinion, Park City Fire Service District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB A-133 and which are described in the accompanying schedule of findings and questioned costs as item 04-1.

Internal Control Over Compliance

The management of Park City Fire Service District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

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In planning and performing our audit, we considered Park City Fire Service District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Park City Fire Service District as of and for the year ended December 31, 2004, which collectively comprise the Park City Fire Service District basic financial statements and have issued our report thereon dated February 15, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Park City Fire Service District basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements of Park City Fire Service District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Schmitt, Griffith, Smith & Co., P.C.

February 3, 2006

Park City Fire Service District
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2004

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Passed through the Utah State Office of Homeland Security			
Domestic Preparedness Equipment Grant - Part 1	97.004	DES-2003-ODP1-02	$ 152,060
Office of Homeland Security Domestic Preparedness Equipment Grant - Part 2	97.004	DES-2003-ODP2-02	300,448
Office of Homeland Security Domestic Preparedness Equipment	97.004	DES-2004-SHSP-002	56,117
Assistance to Firefighters	97.044	EMW-2002-FG-17058-001	-
Total passed through			508,625
Total Department of Homeland Security			508,625
Utah Deptartment of Natural Resources			
Fire Department Assistance Grant	10.664	04-DG-11046000-026	3,432
Total Utah Department of Natural Resources			3,432
			$ 512,057

PARK CITY FIRE SERVICE DISTRICT
Notes to Schedule of Expenditures of Federal Awards
December 31, 2004

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Park City Fire Service District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from accounts presented in, or used in the preparation of, the basic financial statements.

PARK CITY FIRE SERVICE DISTRICT
Schedule of Findings and Questioned Costs
Year Ended December 31, 2004

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Park City Fire Service District.

2. No material weaknesses were disclosed during the audit of the financial statements.

3. No material instances of noncompliance were disclosed during the audit.

4. There were no material weaknesses disclosed during the audit of the major federal award programs.

5. The auditors' report on compliance for the major federal award programs for Park City Fire Service District expresses an unqualified opinion.

6. There were no audit findings relative to the major federal award programs for Park City Fire Service District reported.

7. The program tested as major federal program was as follows:

Name	CFDA No.
State Domestic Preparedness Equipment Grant	97.004

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

9. Park City Fire Service District was determined to be a high-risk auditee.

PARK CITY FIRE SERVICE DISTRICT
Schedule of Findings and Questioned Costs, Continued
Year Ended December 31, 2004

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no current year findings noted during our audit.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

Findings 04-1: Compliance with Reporting Deadline

Condition: OMB Circular A-133 requires that the Single Audit reporting package be submitted within nine months of the end of the reporting period.

Recommendation: We recommend that the policies and procedures be reviewed to ensure timely reporting.

Management response: The District will establish a better tracking system to assure timely submission of required reports as outlined in OMB Circular A-133.