Starvation Reservoir
Culinary Water Association

FINANCIAL STATEMENTS
For the Years Ending
December 31, 2005 and 2004

Starvation Reservoir Culinary Water Association

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To the Board of Directors
Starvation Reservoir Culinary Water Association
Roosevelt, UT 84066

We have reviewed the accompanying financial statements of the proprietary fund of the Starvation Reservoir Culinary Water Association, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Association's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A review consists principally of inquiries of Entity personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2005 and 2004 financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 4 through 7 are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Caldwell, Coombs & Foley, LLP

August 21, 2006

Management's Discussion and Analysis

As management of the Starvation Reservoir Culinary Water Association (the Association), we offer readers of the Association's financial statements this narrative overview and analysis of financial activities of the Association for the fiscal year ended December 31, 2005 and 2004 with an emphasis on the most recent year-end.

Financial Highlights

- Assets exceeded liabilities at closest year-end: $71,965 - $52,889 = $19,075. Of this amount, $19,075 is unrestricted and available to meet the Association's ongoing obligations. The 2005 and 2004 unrestricted net assets were 5.9% and 5.4% of operating expenses, respectively.
- Unrestricted cash decreased $11,885.
- There was no restricted cash.
- Net assets increased $1,347 for 2005 and $1,438 for 2004.
- There was no long-term or current portion of long-term debt.
- The Association's total assets of $19,075 were 100% unrestricted cash and accounts receivable.
- Current assets increased $17,425 due to an increase in accounts receivable for the year.
- Current liabilities increased $16,078 or due to an increase in accounts payable.
- Current assets less current liabilities was $19,075 in 2005 and $17,729 in 2004, an increase of $1,347.
- There were no capital assets net of accumulated depreciation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. The Association's basic financial statements comprise two components: 1) fund financial statements for a proprietary fund type (business-type activity), and 2) notes to the financial statements.

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 Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. This Association is a proprietary fund only.

Proprietary funds–There are two types of proprietary funds: enterprise and internal service funds. The Association maintains only one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Association uses an enterprise fund to account for its operation of the Starvation Reservoir Culinary Water Association.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide information on the operation of the Association. This fund is the Association's only major fund. Because the Association's only reporting unit is a proprietary fund and the reporting format is similar to government-wide reporting the presentation of government-wide financials statements are not required and are not necessary. The basic proprietary fund financial statements can be found on the pages listed in the table of contents.

Notes to the financial statements–The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on the pages listed in the table of contents.

Financial Analysis of the Proprietary Fund

Net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by $19,075 at the close of the most recent fiscal year.

The Association's net assets are comprised of three components:

- Unrestricted net assets are 100% of the total. Unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- Restricted net assets are 0% of the total. Restricted net assets comprise balances that have been restricted due to legislation, debt covenants, and other legal requirements.
- Capital assets (e.g., machinery, equipment, etc.) comprised 0% of total net assets, less any related debt used to acquire those assets that is still outstanding. The Association uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Association's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Net Assets	2005	2004	2003
Current assets	$ 71,965	$ 54,540	$ 80,204
Total assets	71,965	54,540	80,204
Current liabilities	52,889	36,811	63,912
Total liabilities	52,889	36,811	63,912
Net assets:			
Invested in capital assets, net of related debt	-	-	-
Restricted	-	-	-
Unrestricted	19,075	17,729	16,291
Total net assets	$ 19,075	$ 17,729	$ 16,291

The Association's net assets increased by $1,347 in the most recent fiscal year. Key elements of this increase and a comparison to prior years are as follows:

Change in Net Assets	2005	2004	2003
Revenues:			
Water sales	$ 245,938	$ 238,247	$ 252,239
Water usage	76,177	68,056	58,876
Central Utah Project	-	16,539	-
Membership	6,000	6,000	6,000
Interest earnings	145	58	64
Total revenues	328,260	328,900	317,179
Expenses:			
Treatment Cost	245,938	238,247	252,239
Water Usage fees	76,177	68,056	58,876
Office supplies	8	-	70
Legal and professional	3,590	3,420	3,467
Central Utah Project	-	16,539	-
Bad debt	1,200	1,200	1,200
Total expenses	326,913	327,462	315,852
Increase (decrease) in net assets	$ 1,347	$ 1,438	$ 1,327

The available cash resources of the Association increased because there was positive cash flow from operations. The Association's current assets are greater than all liabilities.

Fund Budgetary Highlights

	Original	Amended	Actual
Revenues	$ -	$ -	$ 328,260
Expenses	-	-	(326,913)
Net Income	$ -	$ -	$ 1,347

Capital Asset and Debt Administration

Capital assets–The Association did not have any capital assets as of December 31, 2005 and 2004. There was no capital asset activity during these years.

Long-term debt–At the end of the last two fiscal years, the Association did not have any long-term debt.

Economic Factors and Next Year's Budgets and Rates

The proprietary fund budget for next year is similar to the most recent year-end's budget. The Association does not assess a property tax.

Requests for Information

This financial report is designed to provide a general overview of the Association'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 the Starvation Reservoir Culinary Water Association, Attn: Duchesne City (Councilwoman Yordis Neilsen), (435) 738-2464.

Starvation Reservoir Culinary Water Association

STATEMENT OF FUND NET ASSETS

Proprietary Fund

December 31, 2005 and 2004

	2005	2004
Assets		
Current Assets:		
Cash	$ 25,473	$ 37,358
Accounts receivable, net	46,492	17,182
Total Current Assets	71,965	54,540
Total Assets	$ 71,965	$ 54,540
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 52,889	$ 36,811
Total Current Liabilities	52,889	36,811
Non-Current Liabilities:		
No activity	-	-
Total Long-term Liabilities	-	-
Total Liabilities	52,889	36,811
Fund Net Assets:		
Invested in capital assets, net of related debt	-	-
Restricted	-	-
Unrestricted	19,075	17,729
Total Fund Net Assets	19,075	17,729
Total Liabilities and Fund Net Assets	$ 71,965	$ 54,540

Starvation Reservoir Culinary Water Association

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Proprietary Fund

Years ending December 31, 2005 and 2004

	2005	2004
Operating Income:		
Water sales	$ 245,938	$ 238,247
Water Usage	76,177	68,056
Central Utah Project Water	-	16,539
Membership	6,000	6,000
Total Operating Income	328,115	328,842
Operating Expenses:		
Treatment Costs	245,938	238,247
Water usage fees	76,177	68,056
Office	8	-
Accounting, audit, and legal fees	3,590	3,420
Central Utah Project Water	-	16,539
Bad debt	1,200	1,200
Total Operating Expenses	326,913	327,462
Operating Income/(Loss)	1,202	1,380
Nonoperating Income (Expenses):		
Interest income	145	58
Total Nonoperating Income/(Expense)	145	58
Net Income/(Loss)	1,347	1,438
Fund Net assets--beginning of year	17,729	16,291
Fund Net assets--end of year	$ 19,075	$ 17,729

Starvation Reservoir Culinary Water Association

STATEMENT OF CASH FLOWS

Proprietary Fund

Years ending December 31, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities:		
Cash received from water treatment and usage	$ 292,805	$ 350,650
Cash received from membership dues	4,800	4,800
Cash paid for water treatment and usage	(306,038)	(349,944)
Cash paid for supplies and services	(3,598)	(3,420)
Net Cash Flow Provided by (used in) Operations	(12,031)	2,086
Cash Flows from Investing Activities:		
Cash received from interest earnings	145	58
Net Cash Flow Used By Investing	145	58
Cash Flows from Capital & Related Financing Activities:		
No activity	-	-
Net Cash Flow Used By Capital Financing	-	-
Cash Flows from Non Capital & Related Financing Activities:		
No activity	-	-
Net Cash Flow From Non Capital Financing	-	-
Net increase (decrease in cash)	(11,886)	2,144
Cash - Beginning of Year	37,359	35,215
Cash - End of Year	$ 25,473	$ 37,359
Reconciliation of Direct Method for Cash Flows from Operating Activities		
Operating Income (loss)	$ 1,202	$ 1,380
Reconciliation of net income (loss) to net cash:		
(Increase)/decrease in accounts receivable	(29,312)	27,807
Increase/(decrease) in accounts payable	16,078	(27,102)
(Increase)/decrease in miscellaneous assets	-	-
Increase/(decrease) in accounts payable & accrued expenses	-	-
Increase/(decrease) in refundable deposits	-	-
Net Cash Flow Provided/(Used) by Operations	$ (12,031)	$ 2,086

Starvation Reservoir Culinary Water Association
Notes to Financial Statements
December 31, 2005

NOTE 1 Summary of Significant Accounting Policies

History & Business Activity—Starvation Reservoir Culinary Water Association (Association) was established by authority of the Utah *Interlocal Co-operation Act* by Duchesne City, East Duchesne Culinary Water District, Johnson Water Improvement District, Myton City, and Upper Country Water District to sell treated culinary water to its member entities.

Reporting Entity—Based on the criterion identified in Governmental Accounting Standards Board (GASB) Statement No. 14, management has determined that the Association is not a component unit of another government entity, nor should the Association include in its basic financial statements other governmental entities as component units.

Basis of Accounting and Financial Statement Presentation—Starvation Reservoir Culinary Water Association is a governmental unit that is accounted for as a business-type activity. The Association's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Association follows all applicable pronouncements of Governmental Accounting Standards Board (GASB) as well as private-sector standards of accounting and reporting issued prior to December 1, 1989 by the Financial Accounting Standards Board (FASB), to the extent that those standards do not conflict with standards issued by the GASB. Management has elected not to follow subsequent FASB standards.

The Association reports its operations in a single proprietary or business-type fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Association are receipts from the sale of water.

Deposits and Investments–The Association'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. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Receivables and Payables–All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

Restricted Assets–At times, the Association may have funds set aside that are legally restricted or their use is limited by certain contracts. Restricted funds will be expended first when possible.

Use of Estimates–The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 Cash & Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

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

Deposits

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. As of December 31, 2005, $0 of the District's bank balances of $57,746 (carrying balance of $25,473) was uninsured and uncollateralized.

NOTE 3 Accounts Receivable

The receivable as shown on the financial statement at the year-end is as follows.

Balances	2005	2004
Accounts receivable		
Duchesne City	$ 5,282	$ (29,716)
East Duchesne Culinary Water	18,511	13,612
Myton City	1,487	1,071
Johnson Water Improvement	21,212	32,215
Upper Country Water Improvement	6,000	4,800
Upper Country Water, allowance for doubtfull accounts	(6,000)	(4,800)
Total net receivables	$ 46,492	$ 17,182

NOTE 4 Accounts Payable

The accounts payable for the year ending December 31, 2005 consists of a current payable to three vendors. The Association owes the Central Utah Water Conservancy District $44,458, Duchesne City $8,261 and $170 to another vendor. The payable to Central Utah Water is approximately 3 months of water treatment costs.

The accounts payable for the year ending December 31, 2004 consists of a current payable to three vendors. The Association owes the Central Utah Water Conservancy District $36,651 and $160 to another vendor. The payable to Central Utah Water is approximately 2 months of water treatment costs.

NOTE 5 Major Customer/Related Party

Starvation Reservoir Culinary Water Association is an interlocal agreement between Duchesne City, East Duchesne Culinary Water District, Johnson Water improvement District, Myton City, and Upper county Water District. All of its water sales are to these governmental agencies. Accounts receivable and accounts payable from the respective related parties at December 31, 2005 and 2004 are presented in Notes 3 and 4, respectively.