

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY

Financial Statements

December 31, 2011

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Financial Statements

Year Ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

Honorable Administrative Board Members
Wasatch County Fire Protection Special Service District
Heber City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Wasatch County Fire Protection Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of Wasatch County Fire Protection Special Service District as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2012, on our consideration of Wasatch County Fire Protection Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-8 and page 29, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

February 28, 2012

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

A COMPONENT UNIT OF WASATCH COUNTY

As management of Wasatch County Fire Protection Special Service District (the District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the calendar year ended December 31, 2011. Please read it in conjunction with the District's financial statements and additional information that we have furnished with the Independent Auditors' Report.

HISTORY AND BACKGROUND OF DISTRICT

The Wasatch County Fire District was formed in 1987 in order to facilitate a more financially secure method of funding fire suppression and fire protection to all of Wasatch County. The District was organized under the State statutes of Utah allowing the District to levy taxes, issue bonds, construct fire stations, construct emergency services buildings, acquire fire protection and suppression apparatus, and generally operate and maintain those facilities for the general welfare and good of the citizens of Wasatch County. Prior to the organization of the fire district, most sources of funding came from Heber City Corporation and Wasatch County with occasional contributions coming from the towns of Midway, Wallsburg, and Charleston, and through fire department fund drives. Today the District consists of entities made up of the Cities and Towns of Heber, Midway, Charleston, Wallsburg, Daniel, Timberlakes and surrounding areas, Interlaken, Strawberry Valley and surrounding areas, Woodland and surrounding areas, Bonanza Flat in Snake Creek Canyon and surrounding areas, and the entire Jordanelle Basin. All properties within Wasatch County are included within the boundaries of the District and are, therefore, provided with fire protection and suppression by the District. Private individuals, the State of Utah, or the Federal government own these properties.

FINANCIAL HIGHLIGHTS

The assets of Wasatch County Fire District exceeded the liabilities as of the close of the most recent year by \$5,204,218 (net assets). Of this amount \$2,708,577 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

In the General Fund, revenues exceeded expenditures by \$359,284. Transfers totaling \$850,000 were made to the other funds. Of this amount, \$550,000 was transferred to the Enterprise Fund. The transfer to the Enterprise Fund will help with the costs of providing fire protection and emergency response within the Jordanelle Basin which have not been covered by charges for services. The remaining \$300,000 was transferred to the Capital Projects Fund to be used for future capital acquisitions and improvements.

At the close of the fiscal year, the unassigned fund balance of the General Fund totaled \$509,556 or 49% of the total General Fund revenues. State statutes allow a maximum unreserved fund balance of 100% of the current year's property tax of \$925,814.

In the Enterprise Fund there was a reduction of the outstanding capital lease obligation for the Jordanelle Fire Station of \$1,450,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this Management's Discussion and Analysis report, the Independent Auditors' Report and the basic financial statements of the District. This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing 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 periods (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*.) The governmental activities of the District include general government and administration of public safety as it is related to fire protection and prevention for all citizens living within the boundaries of the Wasatch County Fire District. The business-type activities of the District include administration and operations of the Jordanelle Fire Station, the public safety of those who live in the Jordanelle Basin, and the preservation of the properties located in the Jordanelle Basin.

Fund Financial Statements

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

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

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of

Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Capital Projects Fund, both of which are considered to be major funds.

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

Please refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an Enterprise Fund to account for its fire and emergency response related services provided in the Jordanelle Basin.

Please refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Additional auditor reports and schedules for the District are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Wasatch County Fire District, total assets exceed total liabilities by \$5,204,218 at the close of the most recent calendar year.

Portions of the District's remaining net asset represent resources that are subject to external restriction on how they may be used. The balance of net assets of \$2,708,577 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

As of December 31, 2011, the District is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for the separate business-type activities.

Government-wide Activities

Charges for services have remained relatively consistent in Wasatch County Fire District. The District receives revenues from taxes collected by Wasatch County. The tax rate decreased to .000228 for 2011 from .000249 for 2010. The District also receives revenues from Jordanelle Basin property owners for

operation and maintenance of the Jordanelle Fire Station, a business-type activity. These revenues are based upon a set charge per equivalent residential unit (ERUs) billed monthly to the property owners/developers in the Jordanelle Basin. Billing of this additional charge was discontinued as of October 1, 2011.

Property tax collections decreased from \$1,028,503 in 2010 to \$925,814 in 2011. The decrease in collections is proportionate to the decrease in rate. The actual percentage of collections is consistent with collections in the prior year which have slowed in comparison with other years due to the downturn in the economy.

See the following pages for a summary Government-wide Statement of Net Assets and Government-wide Statement of Activities.

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WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY
Government-wide Statement of Net Assets
December 31, 2011

	Governmental Activities 2011	Governmental Activities 2010	Business-Type Activities 2011	Business-Type Activities 2010	Total 2011	Total 2010	Increase (Decrease) 2010 to 2011
Assets							
Cash and cash equivalents	\$ 2,223,113	\$ 2,363,026	\$ 216,860	\$ 2,164,264	\$ 2,439,973	\$ 4,527,290	\$ (2,087,317)
Accounts receivable, net			1,320	166,818	1,320	166,818	(165,498)
Due from other governmental entities	305,605	321,805	164,922		470,527	321,805	148,722
Restricted cash and cash equivalents				164,922		164,922	(164,922)
Capital assets, net	593,762	668,470	1,899,379	1,969,899	2,493,141	2,638,369	(145,228)
Debt issuance costs, net				14,427		14,427	(14,427)
Other capital assets	2,500	2,500			2,500	2,500	
Total assets	\$ 3,124,980	\$ 3,355,801	\$ 2,282,481	\$ 4,480,330	\$ 5,407,461	\$ 7,836,131	\$ (2,428,670)
Liabilities							
Accounts payable and accrued expenses	\$ 35,254	\$ 10,248	\$ 167,989	\$ 167,304	\$ 203,243	\$ 177,552	\$ 25,691
Accrued interest				5,899		5,899	(5,899)
Capital lease obligation							
Due within one year				95,000		95,000	(95,000)
Due in more than one year				1,355,000		1,355,000	(1,355,000)
Total liabilities	\$ 35,254	\$ 10,248	\$ 167,989	\$ 1,623,203	\$ 203,243	\$ 1,633,451	\$ (1,430,208)
Net Assets							
Invested in capital assets, net of related debt	\$ 596,262	\$ 670,970	\$ 1,899,379	\$ 519,899	\$ 2,495,641	\$ 1,190,869	\$ 1,304,772
Restricted for debt service				164,922		164,922	(164,922)
Unrestricted	2,493,464	2,674,583	215,113	2,172,306	2,708,577	4,846,889	(2,138,312)
Total net assets	\$ 3,089,726	\$ 3,345,553	\$ 2,114,492	\$ 2,857,127	\$ 5,204,218	\$ 6,202,680	\$ (998,462)

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY
Government-wide Statement of Activities
For the Year Ended December 31, 2011

	Governmental Activities 2011	Governmental Activities 2010	Business-Type Activities 2011	Business-Type Activities 2010	Total 2011	Total 2010	Increase (Decrease) 2010 to 2011
Program Revenues							
Charges for services	\$ 97,345	\$ 47,157	\$ 1,342,634	\$ 1,447,613	\$ 1,439,979	\$ 1,494,770	\$ (54,791)
Grants and contributions		4,284		11,860		16,144	(16,144)
General Revenues							
Property taxes	925,814	1,028,503			925,814	1,028,503	(102,689)
Unrestricted investment earnings	12,924	11,008	10,964	14,370	23,888	25,378	(1,490)
Gain (loss) on disposals			14,000		14,000		14,000
Other	6,400				6,400		6,400
Total revenues	<u>1,042,483</u>	<u>1,090,952</u>	<u>1,367,598</u>	<u>1,473,843</u>	<u>2,410,081</u>	<u>2,564,795</u>	<u>(154,714)</u>
Expenses							
Fire Protection	748,310	541,447	2,660,233	2,254,660	3,408,543	2,796,107	612,436
Total expenses	<u>748,310</u>	<u>541,447</u>	<u>2,660,233</u>	<u>2,254,660</u>	<u>3,408,543</u>	<u>2,796,107</u>	<u>612,436</u>
Excess (deficiency) before transfers	294,173	549,505	(1,292,635)	(780,817)	(998,462)	(231,312)	(767,150)
Transfers	(550,000)	(690,000)	550,000	690,000			
Change in net assets	(255,827)	(140,495)	(742,635)	(90,817)	(998,462)	(231,312)	(767,150)
Net assets - beginning of year	3,345,553	3,486,048	2,857,127	2,947,944	6,202,680	6,433,992	(231,312)
Net assets - end of year	<u>\$ 3,089,726</u>	<u>\$ 3,345,553</u>	<u>\$ 2,114,492</u>	<u>\$ 2,857,127</u>	<u>\$ 5,204,218</u>	<u>\$ 6,202,680</u>	<u>\$ (998,462)</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the calendar year.

At the end of the year 2011, the Wasatch County Fire District's governmental funds reported combined ending fund balances of \$2,493,464. The General Fund is the chief operating fund of the District. At the end of the current year, the unassigned fund balance of the General Fund was \$509,556.

Proprietary Funds

The District's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Enterprise Fund proprietary fund for 2011 were \$215,113.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget revenues and the amended budget revenues was an increase of \$265,200. The budget revenues were amended to reflect an increase in projected tax revenues, interest income, plan and inspection revenue and other miscellaneous revenues.

The difference between the original budget expenditures and the amended budget expenditures was an increase of \$430,850. The budget expenditures were amended to reflect a decrease in projected operating costs of \$119,150 and an increase in transfers to other funds of \$550,000.

The difference between the amended budget revenues and the actual revenues was a decrease of \$40,014 resulting mostly from receiving less property tax revenues and other miscellaneous revenues than projected.

The difference between the amended budget expenditures and actual expenditures was an increase of \$285,052. This increase was the net result of the additional transfer of \$300,000 to the Capital Projects Fund and final operating costs being less than projected.

See the Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund in the required supplementary information for further information regarding budgetary comparisons for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital projects fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities and procuring equipment necessary for providing programs for the citizens of the District. Net capital assets for governmental activities had an ending balance of \$593,762 and \$668,470 for the years ending December 31, 2011 and 2010, respectively. Net capital assets

for business-type activities (Jordanelle Fire Station) had an ending balance of \$1,899,379 and \$1,969,899 for the years ending December 31, 2011 and 2010, respectively.

Capital Lease – Business-type Activities

The District entered into a sublease agreement with Wasatch County, a related party, during November 1999 to purchase the Jordanelle Fire Station and certain equipment used by the station. The District financed \$2,500,000 over a ten-year period.

In June 2002, the sublease agreement was refinanced with a financial institution in order to lower interest costs. The District financed \$2,200,000 over a 20-year period. Semi-annual payments were to be made until December 2022.

In December 2011, the District paid Wasatch County the remaining balance due on the sublease agreement at which time title to these assets transferred to the District. At the time of payoff, the debt service reserve deposit that the District was required to fund related to this lease was not credited against the final payment. This resulted in overpayment of the lease. The overpayment is recorded as a receivable due from other governmental agencies in the amount of \$164,922.

Additional information on the District's capital lease obligations can be found in the notes to the financial statements.

Long-term Debt

At the end of the current year, the District had no short-term debt outstanding for governmental activities or for business type activities. The District's long-term debt is comprised of a liability for accrued compensated absences. Additional information on the District's long-term debt can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Wasatch County Fire District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Wasatch County Fire District, 10420 N Jordanelle Blvd, Heber City, Utah 84032.

FINANCIAL STATEMENTS

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

- Government-wide financial statements

- Fund financial statements

 - Governmental funds

 - Proprietary (enterprise) fund

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY
Government-wide Statement of Net Assets

December 31, 2011
 With Comparative Totals for December 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>2010</u>
ASSETS				
Cash and cash equivalents	\$ 2,223,113	\$ 216,860	\$ 2,439,973	\$ 4,527,290
Accounts receivable (net of allowance for doubtful accounts)		1,320	1,320	166,818
Due from other governmental entities	305,605	164,922	470,527	321,805
Restricted assets				
Cash and cash equivalents				164,922
Capital assets				
Land		100,000	100,000	100,000
Depreciable buildings and equipment, net	593,762	1,799,379	2,393,141	2,538,369
Debt issuance costs, net				14,427
Other capital assets	<u>2,500</u>		<u>2,500</u>	<u>2,500</u>
Total assets	<u>\$ 3,124,980</u>	<u>\$ 2,282,481</u>	<u>\$ 5,407,461</u>	<u>\$ 7,836,131</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 14,971	\$ 167,989	\$ 182,960	\$ 177,552
Accrued interest				5,899
Accrued compensated absences	20,283		20,283	
Capital lease obligation				
Due within one year				95,000
Due in more than one year				<u>1,355,000</u>
Total liabilities	<u>\$ 35,254</u>	<u>\$ 167,989</u>	<u>\$ 203,243</u>	<u>\$ 1,633,451</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 596,262	\$ 1,899,379	\$ 2,495,641	\$ 1,190,869
Restricted for debt service				164,922
Unrestricted	<u>2,493,464</u>	<u>215,113</u>	<u>2,708,577</u>	<u>4,846,889</u>
Total net assets	<u>\$ 3,089,726</u>	<u>\$ 2,114,492</u>	<u>\$ 5,204,218</u>	<u>\$ 6,202,680</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Government-wide Statement of Activities

For the Year Ended December 31, 2011

With Comparative Totals for Year Ended December 31, 2010

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Fire protection	\$ 748,310	\$ 97,345		
Total governmental activities	<u>748,310</u>	<u>97,345</u>		
Business-Type Activities				
Fire protection	2,660,233	1,342,634		
Total business-type activities	<u>2,660,233</u>	<u>1,342,634</u>		
 Total government	 <u>\$ 3,408,543</u>	 <u>\$ 1,439,979</u>	 <u>\$ -0-</u>	 <u>\$ -0-</u>
General Revenues				
Taxes - advalorem				
Interest income				
Gain (loss) on disposal				
Transfers				
Other				
Total general revenues				
 Change in net assets				
 Net assets at beginning of year				
 Net assets at end of year				

Net (Expenses) Revenues
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	2010
\$ (650,965)		\$ (650,965)	\$ (490,006)
<u>(650,965)</u>		<u>(650,965)</u>	<u>(490,006)</u>
	\$ (1,317,599)	(1,317,599)	(795,187)
	<u>(1,317,599)</u>	<u>(1,317,599)</u>	<u>(795,187)</u>
(650,965)	(1,317,599)	(1,968,564)	(1,285,193)
925,814		925,814	1,028,503
12,924	10,964	23,888	25,378
	14,000	14,000	
(550,000)	550,000		
6,400		6,400	
<u>395,138</u>	<u>574,964</u>	<u>970,102</u>	<u>1,053,881</u>
(255,827)	(742,635)	(998,462)	(231,312)
<u>3,345,553</u>	<u>2,857,127</u>	<u>6,202,680</u>	<u>6,433,992</u>
<u>\$ 3,089,726</u>	<u>\$ 2,114,492</u>	<u>\$ 5,204,218</u>	<u>\$ 6,202,680</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Balance Sheet

Governmental Funds

December 31, 2011

With Comparative Totals for December 31, 2010

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>	<u>2010</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 239,205	\$ 1,983,908	\$ 2,223,113	\$ 2,363,026
Due from other governmental entities	<u>305,605</u>		<u>305,605</u>	<u>321,805</u>
Total assets	<u>\$ 544,810</u>	<u>\$ 1,983,908</u>	<u>\$ 2,528,718</u>	<u>\$ 2,684,831</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 5,374		\$ 5,374	\$ 2,529
Accrued payroll and employee benefits	5,331		5,331	1,194
Accrued compensated absences	20,283		20,283	
Payable - other governmental unit	<u>4,266</u>		<u>4,266</u>	<u>6,525</u>
Total liabilities	<u>35,254</u>		<u>35,254</u>	<u>10,248</u>
Fund Balance				
Assigned		\$ 1,983,908	1,983,908	1,674,311
Unassigned	<u>509,556</u>		<u>509,556</u>	<u>1,000,272</u>
Total fund balance	<u>509,556</u>	<u>1,983,908</u>	<u>2,493,464</u>	<u>2,674,583</u>
Total liabilities and fund balance	<u>\$ 544,810</u>	<u>\$ 1,983,908</u>	<u>\$ 2,528,718</u>	<u>\$ 2,684,831</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Assets**

December 31, 2011

Total fund balance - total governmental funds \$ 2,493,464

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current
financial resources; therefore, they are not reported
in the governmental funds balance sheet. 596,262

Net assets of governmental activities \$ 3,089,726

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

For Year Ended December 31, 2011

With Comparative Totals for Year Ended December 31, 2010

	General	Capital Projects	Total Governmental Funds	2010
Revenues				
Property taxes	\$ 925,814		\$ 925,814	\$ 1,028,503
Plans and inspections	97,345		97,345	47,157
Grants				4,284
Interest	3,327	\$ 9,597	12,924	11,008
Other	6,400		6,400	
Total revenues	<u>1,032,886</u>	<u>9,597</u>	<u>1,042,483</u>	<u>1,090,952</u>
Expenditures				
Current				
Payroll and related taxes	505,807		505,807	334,563
Professional services	32,854		32,854	28,199
Materials and supplies	46,042		46,042	24,935
Training and certification	12,950		12,950	8,224
Utilities	1,682		1,682	991
Insurance	8,278		8,278	8,225
Repairs and maintenance	65,915		65,915	52,909
Other	74		74	
Total expenditures	<u>673,602</u>		<u>673,602</u>	<u>458,046</u>
Excess of revenues over expenditures	<u>359,284</u>	<u>9,597</u>	<u>368,881</u>	<u>632,906</u>
Other Financing Sources (Uses)				
Operating transfers in		300,000	300,000	
Operating transfers out	(850,000)		(850,000)	(690,000)
Total other financing sources (uses)	<u>(850,000)</u>	<u>300,000</u>	<u>(550,000)</u>	<u>(690,000)</u>
Excess (deficit) of revenues and other financing sources over expenditures	(490,716)	309,597	(181,119)	(57,094)
Fund balance at beginning of year	<u>1,000,272</u>	<u>1,674,311</u>	<u>2,674,583</u>	<u>2,731,677</u>
Fund balance at end of year	<u>\$ 509,556</u>	<u>\$ 1,983,908</u>	<u>\$ 2,493,464</u>	<u>\$ 2,674,583</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-wide Statement of Activities**

For the Year Ended December 31, 2011

Net change in fund balances - total governmental funds \$ (181,119)

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

Depreciation expense on capital assets is reported in the Government-wide
Statement of Activities and Changes in Net Assets, but they do not
require the use of current financial resources. Therefore, depreciation
expense is not reported as an expenditure in governmental funds.

(74,708)

Change in net assets of governmental activities

\$ (255,827)

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Net Assets

Proprietary Fund

December 31, 2011

With Comparative Totals for December 31, 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 216,860	\$ 2,164,264
Accounts receivable (net of allowance for doubtful accounts of \$2,611,691 and \$1,720,717, respectively)	1,320	166,818
Due from other government	<u>164,922</u>	
Total current assets	<u>383,102</u>	<u>2,331,082</u>
Noncurrent Assets		
Restricted cash and cash equivalents		164,922
Capital assets		
Land	100,000	100,000
Depreciable buildings and equipment, net	1,799,379	1,869,899
Debt issuance costs (net of accumulated amortization of \$9,583)		<u>14,427</u>
Total noncurrent assets	<u>1,899,379</u>	<u>2,149,248</u>
Total assets	<u>\$ 2,282,481</u>	<u>\$ 4,480,330</u>

LIABILITIES

Current Liabilities		
Accounts payable	\$ 33,125	\$ 31,512
Accrued payroll and employee benefits	12,167	13,005
Accrued compensated absences	87,140	91,374
Accrued interest		5,899
Unearned revenue	15,053	16,012
Payable - other governmental unit	20,504	15,401
Current portion capital lease obligation		<u>95,000</u>
Total current liabilities	<u>167,989</u>	<u>268,203</u>
Noncurrent Liabilities		
Capital lease obligation		<u>1,355,000</u>
Total noncurrent liabilities		<u>1,355,000</u>
Total liabilities	<u>\$ 167,989</u>	<u>\$ 1,623,203</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 1,899,379	\$ 519,899
Restricted for debt service		164,922
Unrestricted	<u>215,113</u>	<u>2,172,306</u>
Total net assets	<u>\$ 2,114,492</u>	<u>\$ 2,857,127</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund**

For Year Ended December 31, 2011

With Comparative Totals for Year Ended December 31, 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues		
Charges for services	\$ 1,342,634	\$ 1,447,613
Total operating revenues	<u>1,342,634</u>	<u>1,447,613</u>
Operating Expenses		
Payroll and related benefits	943,675	994,142
Professional services	440,942	73,974
Materials and supplies	44,242	39,366
Training and certification	3,632	11,668
Utilities	22,273	21,380
Insurance	8,278	7,971
Repairs and maintenance	43,377	31,979
Bad debt	890,975	892,291
Depreciation	116,195	106,494
Amortization	14,427	1,264
Total operating expenses	<u>2,528,016</u>	<u>2,180,529</u>
Operating loss	<u>(1,185,382)</u>	<u>(732,916)</u>
Nonoperating Revenues and (Expenses)		
Grant income		11,860
Interest income	10,964	14,370
Interest expense	(132,217)	(74,131)
Gain on disposal of capital assets	14,000	
Total nonoperating revenues and (expenses)	<u>(107,253)</u>	<u>(47,901)</u>
Loss before contributions and transfers	<u>(1,292,635)</u>	<u>(780,817)</u>
Other Financing Sources		
Operating transfers in	<u>550,000</u>	<u>690,000</u>
Total other financing sources	<u>550,000</u>	<u>690,000</u>
Change in Net Assets	(742,635)	(90,817)
Net assets beginning of year	<u>2,857,127</u>	<u>2,947,944</u>
Net assets end of year	<u>\$ 2,114,492</u>	<u>\$ 2,857,127</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Cash Flows

Proprietary Fund

For the Year Ended December 31, 2011

With Comparative Totals for Year Ended December 31, 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 616,198	\$ 835,091
Payments to suppliers	(556,028)	(155,844)
Payments to employees	<u>(948,747)</u>	<u>(974,589)</u>
Net cash used by operating activities	<u>(888,577)</u>	<u>(295,342)</u>
Cash Flows from Noncapital Financing Activities		
Operating transfers in	550,000	690,000
Grants received		11,860
Net cash provided by noncapital financing activities	<u>550,000</u>	<u>701,860</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(31,675)	(165,757)
Principal paid on capital lease obligations	(1,614,922)	(90,000)
Interest paid on capital lease obligations and debt	<u>(138,116)</u>	<u>(74,435)</u>
Net cash used by capital and related financing activities	<u>(1,784,713)</u>	<u>(330,192)</u>
Cash Flows from Investing Activities		
Interest	10,964	14,370
Net cash provided by investing activities	<u>10,964</u>	<u>14,370</u>
Net increase (decrease) in cash and cash equivalents	(2,112,326)	90,696
Balances at beginning of year	<u>2,329,186</u>	<u>2,238,490</u>
Balances at end of year	<u>\$ 216,860</u>	<u>\$ 2,329,186</u>
Cash and cash equivalents	\$ 216,860	\$ 2,164,264
Restricted cash and cash equivalents		164,922
	<u>\$ 216,860</u>	<u>\$ 2,329,186</u>
<i>Reconciliation of operating loss to net cash used by operating activities</i>		
Operating loss	\$ (1,185,382)	\$ (732,916)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	116,195	106,494
Amortization	14,427	1,264
Changes in assets and liabilities		
Decrease in receivables and prepaids	164,539	263,757
Increase in accrued liabilities	<u>1,644</u>	<u>66,059</u>
Net cash used by operating activities	<u>\$ (888,577)</u>	<u>\$ (295,342)</u>

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NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wasatch County Fire Protection Special Service District (the District) was created by Wasatch County in 1987 to provide fire protection services for the County. The financial statements of the District are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The District applies all relevant Governmental Accounting Standards Board pronouncements. The proprietary fund applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case GASB prevails. The financial statements and notes are representations of Wasatch County Fire Protection Special 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.

Reporting Entity

Wasatch County Fire Protection Special Service District is managed by the Fire Chief under the direction of the Wasatch County Council.

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial accounting purposes and is presented in the County's financial statements as a blended unit.

No other entities are considered to be component units of the District.

Basis of Presentation

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, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that 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 instead as general revenues.

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. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. All of the District's funds are major 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:

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 (other than those financed by the proprietary fund).

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The District has only one proprietary fund which is a major fund as described below.

Enterprise Fund

The Enterprise Fund is used to account for fire protection and emergency response provided by the Jordanelle station in the Jordanelle Basin. Activities of the fund include administration, operations and maintenance of the building, and billing and collection activities. The fund also accounts for the services of the full-time fire suppression personnel. All costs are financed through charges to the land owners and developers within the Jordanelle Basin.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, materials and supplies, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Balances

Effective January 1, 2011, the District adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District has evaluated the use of its General Fund and Capital Projects Funds under the criteria set forth in GASB Statement 54 and has determined that there is no change needed. As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Nonspendable Fund Balance

Any Nonspendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance

Any Restricted Fund Balance includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance

Any Committed Fund Balance includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Wasatch County Council. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance

Any Assigned Fund Balance includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Wasatch County Council or (b) a body (a special committee or the Fire Chief) to which the governing body has delegated the authority to assign amounts. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance

The Unassigned Fund Balance is the residual classification for the General Fund. This designation is also used in other governmental funds to report a negative fund balance.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities.

Measurement Focus/Basis of Accounting

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

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting.

The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets; and the Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

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.

Accounts Receivable

The District considers an account to be delinquent if payment has not been received by the last day of the month. All delinquent accounts are assessed a finance charge of 1.5 percent per month, 18 percent per annum. Beginning in 2009, the District also attached delinquent accounts to the Wasatch County tax levies. The District’s policy is to accrue an allowance against future bad debt losses based on the total overdue accounts receivable which are at least ninety (90) days delinquent as adjusted by the tax lien. Each year the allowance is evaluated by management and adjusted to the level deemed necessary. As of December 31, 2011, the allowance was increased to encompass the entire balance of accounts due as of that date regardless of delinquency. Management chose to make this adjustment in response to the ongoing lawsuit related to these fees and charges. See Note 11 for further information.

Compensated Absences

Compensated absences consist of vacation leave and sick leave. The District accrues vacation leave when earned. Sick leave does not vest to District employees upon their termination. However, upon retirement the District will compensate an employee with five years of District service a portion of unused sick leave credit. See Notes 5 and 6 for additional information.

Cash and Cash Equivalents

Cash of all funds is pooled into a common interest-bearing bank account. For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. See Note 2 for additional information.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. 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 donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

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:

Building and improvements	10 – 40 years
Equipment	3 – 16 years
Furniture and fixtures	2 – 10 years
Improvements other than buildings	20 years
Office equipment	10 years
Vehicles	2 – 39 years

See Note 7 for additional information.

Budgeting

The District's governing board adopts a budget for each year prior to the beginning of each year. These budgets are amended during the year as the board deems necessary, to accommodate current operations, and are accepted by official vote of the board. The board amended the budget for the year ended December 31, 2011.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in both governmental and proprietary funds. See Note 8 for further information.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

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 were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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 are billed and collected by Wasatch County on behalf of the District and remitted to the District monthly. At December 31, 2011, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at December 31, 2011 is not considered significant.

Subsequent Events

Subsequent events were evaluated through February 28, 2012, which is the date the financial statements were available to be issued. However, there are no subsequent events to disclose.

Comparative Data

Comparative data for the prior year have been presented in the financial statements to provide an understanding of the changes in the District's financial position and results of operations. Certain data for the prior year has been reclassified to conform with the December 31, 2011 presentation.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (the Council). Following are discussions of the District’s exposure to various risks related to its cash management activities.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The District’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2011, \$15,970 of the District’s bank balances of \$273,077 was uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District’s policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances.

For the year ended December 31, 2011, the District had investments of \$2,209,969 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

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Notes to Financial Statements

December 31, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Designated Assets

In 1998, the Board adopted a resolution designating the use of \$550,000 in the Capital Projects Fund for the purpose of acquiring equipment and certain supplies. The Board has since made additional transfers to this fund for these same purposes. As of December 31, 2011, \$1,983,907 was available for use and is shown as an assigned fund balance of the Capital Projects Fund.

NOTE 3 – EMPLOYEE BENEFIT PLANS

State Retirement

The District contributes to the Public Employees Noncontributory Retirement System, the Firefighters Division A Retirement System, and the 401(k) Defined Contribution System for qualifying employees. These retirement systems are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, 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 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 3 – EMPLOYEE BENEFIT PLANS (CONTINUED)

State Retirement (Continued)

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.

The District was required to contribute 13.37% of annual covered salary on behalf of participants in the Public Employees Noncontributory Retirement System from the period January 2011 to June 2011, and 13.77% from the period July 2011 to December 2011. In the Firefighters Division A Retirement System members were required to contribute 15.05% of their salary from the period January 2011 to December 2011 all of which was paid by the District for the employee. The District was required to contribute 1.72% of annual covered salary on behalf of participants in the Firefighters Division A Retirement System from the period January 2011 to June 2011, and 0.5% from the period July 2011 to December 2011. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District is also required to contribute a percentage of their covered employees' annual salaries for members in the 401(k) Plan Defined Contribution System. Percentages are determined by the Board upon hire and range from 6.64% to 15.55%.

The District's contributions have been as follows:

	2011	2010	2009
Public Employees - Noncontributory	\$ 8,695	\$ 8,019	\$ 7,488
Firefighters Division A	104,238	95,146	83,911
401(k) Plan	62,444	61,410	64,273
Total District contributions	\$ 175,377	\$ 164,575	\$ 155,672

The contributions were equal to the required contributions for the year.

Cafeteria

The District offers a cafeteria plan to all employees to fund a health insurance benefits program.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

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Notes to Financial Statements

December 31, 2011

NOTE 4 – CAPITAL LEASES

The District entered into a sublease agreement with Wasatch County, a related party, during November 1999 to purchase the Jordanelle Fire Station and certain equipment used by the station. The District financed \$2,500,000 over a 10 year period.

Construction of the station and purchase of the equipment was funded by the Wasatch County Municipal Building Authority using monies from a lease revenue bond issued in the Building Authority's name during 1999. Under terms of the sublease agreement, everything purchased with funds from this bond issue became part of the capital lease agreement; therefore, the total amount financed was capitalized by the District under the capital lease obligation.

In June 2002, the sublease agreement was refinanced with a financial institution in order to lower interest costs. The District financed \$2,200,000 over a 20 year period. Semi-annual payments were made until December 2011 at which time the remaining lease obligation of \$1,450,000 was remitted to Wasatch County. Title to the assets under the capital lease obligation transferred to the District with this payment.

As part of the capital lease obligation, \$164,922 is being held in a reserve account by the Wasatch County Municipal Building Authority to be credited towards the final lease payment. At the time of payoff, this credit was not given resulting in an overpayment of the lease obligation. Therefore, the reserve has been reclassified from restricted cash to a receivable due from other governmental agencies in the proprietary fund financials statements.

NOTE 5 – LONG-TERM DEBT

The changes in long-term debt are as follows:

	<u>Balance</u> <u>12/31/2010</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/2011</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Accrued compensated absences	\$ -0-	\$ 28,111	\$ 7,828	\$ 20,283	\$ 20,283
Business-type Activities					
Accrued compensated absences	91,374	31,058	35,292	87,140	87,140
Total government	<u>\$ 91,374</u>	<u>\$ 59,169</u>	<u>\$ 43,120</u>	<u>\$ 107,423</u>	<u>\$ 107,423</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 6 – COMPENSATED ABSENCES

Full-time administrative personnel of the District accrue 10 days of vacation leave a year for the first five years of employment. During the second five years of employment, an employee accrues 10 days of vacation time plus one day for each year of completed service totaling 20 days. After 20 years of completed service, an employee accrues 25 days of vacation. A day of vacation equals eight hours. An employee may use vacation leave after a six month probationary period with the approval of the District Chief. An employee may carry over any unused vacation days to the next calendar year up to a maximum of 320 hours. Any unused vacation exceeding this amount will be lost. Upon termination, any accrued vacation leave will be paid out to the employee.

Full-time fire suppression personnel of the District accrue five shifts per year at the end of the first year of service. After six full years of service, vacation leave will accrue to six shifts per year. A shift equals 24.25 hours. Fire suppression personnel may use vacation leave after a six month probationary period with the approval of the District Chief. Fire suppression personnel may carryover to the next calendar year unused vacation days not to exceed 320 hours. Upon termination, any accrued vacation leave will be paid out to the employee.

Full-time administrative personnel can accrue up to 150 days of sick leave which is accumulated at a rate of one day per month. Upon retirement, the District will compensate an employee with five years of continuous service with 50% of the unused sick leave paid out at his/her most recent base salary rate up to a maximum of 600 hours. Sick leave is not paid out upon termination.

Full-time fire suppression personnel are entitled to five shifts of sick leave each calendar year. Unused sick leave will accrue up to a maximum of 90 calendar days (24.25 hours per day). Upon retirement, the District will compensate fire suppression personnel with five years of service at his/her most recent base salary rate for 28% of unused sick leave up to a maximum of 611 hours. Sick leave is not paid out upon termination.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Capital assets not in use			\$ 2,500	\$ 2,500
Total capital assets not being depreciated			<u>2,500</u>	<u>2,500</u>
Capital assets being depreciated:				
Equipment	\$ 230,092			230,092
Furniture and fixtures	1,092			1,092
Vehicles	1,244,579		(2,500)	1,242,079
Total capital assets being depreciated	<u>1,475,763</u>		<u>(2,500)</u>	<u>1,473,263</u>
Less accumulated depreciation for:				
Equipment	(198,986)	\$ (10,942)		(209,928)
Furniture and fixtures	(1,092)			(1,092)
Vehicles	(607,215)	(63,766)		(670,981)
Total accumulated depreciation	<u>(807,293)</u>	<u>(74,708)</u>		<u>(882,001)</u>
Net depreciable assets	<u>668,470</u>	<u>(74,708)</u>	<u>(2,500)</u>	<u>591,262</u>
Governmental activities capital assets, net	<u>\$ 668,470</u>	<u>\$ (74,708)</u>	<u>\$ -0-</u>	<u>\$ 593,762</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 100,000			\$ 100,000
Total capital assets not being depreciated	<u>100,000</u>			<u>100,000</u>
Capital assets being depreciated:				
Leased building and equipment	2,363,174		\$ (2,363,174)	
Building and improvements	5,040		2,082,352	2,087,392
Equipment	143,775		12,690	156,465
Furnitures and fixtures	1,485		15,680	17,165
Land improvements	811		3,393	4,204
Office equipment	2,900		83,011	85,911
Vehicles	447,022	\$ 45,675	142,457	635,154
Total other capital assets at historical cost	<u>2,964,207</u>	<u>45,675</u>	<u>(23,591)</u>	<u>2,986,291</u>
Less accumulated depreciation for:				
Leased building and equipment	(805,644)	(57,319)	862,963	
Building and improvements	(3,798)	(212)	(629,087)	(633,097)
Equipment	(79,637)	(22,724)	(12,690)	(115,051)
Furnitures and fixtures	(1,485)		(15,680)	(17,165)
Land improvements	(413)	(40)	(1,965)	(2,418)
Office equipment	(2,827)	(73)	(83,011)	(85,911)
Vehicles	(200,504)	(35,827)	(96,939)	(333,270)
Total accumulated depreciation	<u>(1,094,308)</u>	<u>(116,195)</u>	<u>23,591</u>	<u>(1,186,912)</u>
Net depreciable assets	<u>1,869,899</u>	<u>(70,520)</u>		<u>1,799,379</u>
Business-type activities capital assets, net	<u>\$ 1,969,899</u>	<u>\$ (70,520)</u>	<u>\$ -0-</u>	<u>\$ 1,899,379</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 8 – INTERFUND BALANCES AND OPERATING TRANSFERS

Interfund transfers occur routinely throughout the year as the Enterprise Fund transfers funds to the General Fund to be used for operations until tax revenues are transmitted from Wasatch County. Upon receipt of the tax revenues, the General Fund transfers funds back to the Enterprise Fund.

In 2011, the District transferred \$550,000 from the General Fund to the Enterprise Fund to assist with the operations of the Jordanelle station. The District also transferred \$300,000 from the General Fund to the Capital Projects Fund for future capital asset acquisitions or improvements.

NOTE 9 – HAZARDOUS MATERIALS TEAM

Four of the Districts' fire suppression personnel participate in the Utah State Region 2 Hazardous Materials Team. This team consists of representatives from Tooele, Salt Lake, Utah, Summit and Wasatch Counties. In order to participate, the District must provide training and certification for these fire suppression personnel. Once certified, the District will be required to provide the training hours necessary in order to maintain the certification. The District is also responsible for compensating these fire suppression personnel when they are called out on a hazardous materials incident.

NOTE 10 – RELATED PARTY TRANSACTIONS

Wasatch County

In addition to the sublease agreement described in Note 4, the District reimburses Wasatch County for health insurance premiums paid on behalf of the District's employees. Reimbursements paid to Wasatch County for the year ending December 31, 2011 totaled \$189,363 with \$20,078 due at year end. Also, the District pays Wasatch County for solid waste removal, dispatch services, use of communication equipment, communication equipment maintenance, and shared employment costs for the County's medical director. The District paid Wasatch County \$56,924 for these services during the year ended December 31, 2011 with \$3,804 due at year end.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2011

NOTE 10 – RELATED PARTY TRANSACTIONS (CONTINUED)

Jordanelle Special Service District (JSSD)

The District has an agreement with JSSD to share an employee for administrative services. Under the agreement, JSSD is charged a set monthly fee. JSSD paid the District \$43,200 during the year ended December 31, 2011. The District also has an agreement with JSSD to share an employee for financial consulting services. Under the agreement the District is billed for time spent. The District also pays JSSD for water and sewer utilities. The District paid JSSD \$3,659 during the year ended December 31, 2011 with \$426 due at year end. The District and JSSD are both component units of Wasatch County.

NOTE 11 – CONTINGENCY

During August 2010, a lawsuit was brought against the District arguing that the fees charged per equivalent residential unit (ERU) for fire protection services within the District's boundaries are not authorized by state statute, in addition to being excessive. A summary judgment was ruled in favor of the petitioner in November 2010. As of the report date, the District's attorney represented that the District will continue to vigorously contest the suit, and has filed a request for reconsideration to that end. Additionally, legal counsel has maintained that it is impossible to know the outcome at this point due in large part to lack of settled law for similar proceedings. Furthermore, potential losses are uncertain as the plaintiff has not submitted documentation as to the amount paid for the contested fees, nor have they produced documentation of legal costs incurred for which they seek reimbursement. Accordingly, no liability has been accrued on the District's financial statements in connection with this lawsuit.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by generally accepted accounting principles in the United States of America, but are not considered a part of the financial statements. Such information includes:

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund**

For Year Ended December 31, 2011

With Comparative Totals for Year Ended December 31, 2010

	Original Budget	Amended Budget	Actual	Variance	2010 Actual
Revenues					
Property taxes	\$ 753,500	\$ 959,000	\$ 925,814	\$ (33,186)	\$ 1,028,503
Plans and inspections	48,000	90,000	97,345	7,345	47,157
Grants	5,000	5,000		(5,000)	4,284
Interest	1,200	3,000	3,327	327	1,304
Other		15,900	6,400	(9,500)	
Total revenues	<u>807,700</u>	<u>1,072,900</u>	<u>1,032,886</u>	<u>(40,014)</u>	<u>1,081,248</u>
Expenditures					
Current					
Payroll and related taxes	422,150	516,400	505,807	10,593	334,563
Professional services	32,050	30,050	32,854	(2,804)	28,199
Materials and supplies	49,000	64,350	46,042	18,308	24,935
Training and certification	4,000	4,000	12,950	(8,950)	8,224
Utilities	1,500	1,500	1,682	(182)	991
Insurance	8,500	8,500	8,278	222	8,225
Repairs and maintenance	42,200	57,000	65,915	(8,915)	52,909
Other	248,300	6,750	74	6,676	
Total expenditures	<u>807,700</u>	<u>688,550</u>	<u>673,602</u>	<u>14,948</u>	<u>458,046</u>
Excess of revenues over expenditures		<u>384,350</u>	<u>359,284</u>	<u>(25,066)</u>	<u>623,202</u>
Other Financing Uses					
Operating transfers out		<u>(550,000)</u>	<u>(850,000)</u>	<u>(300,000)</u>	<u>(500,000)</u>
Total other financing uses		<u>(550,000)</u>	<u>(850,000)</u>	<u>(300,000)</u>	<u>(500,000)</u>
Excess (deficiency) of revenues and other financing uses over expenditures		<u>(165,650)</u>	<u>(490,716)</u>	<u>\$ (325,066)</u>	<u>123,202</u>
Fund balance at beginning of year	<u>1,000,272</u>	<u>1,000,272</u>	<u>1,000,272</u>		<u>877,070</u>
Fund balance at end of year	<u>\$ 1,000,272</u>	<u>\$ 834,622</u>	<u>\$ 509,556</u>		<u>\$ 1,000,272</u>

ADDITIONAL AUDITORS' REPORTS AND SCHEDULES

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.

**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***

Honorable Administrative Board Members
Wasatch County Fire Protection Special Service District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (the District), a component unit of Wasatch County, as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with the 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

Management of Wasatch County Fire Protection SSD is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wasatch County Fire Protection SSD's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

the internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

This report is intended solely for the information and use of management, pass-through entities and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

February 28, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL
COMPLIANCE AUDIT GUIDE***

Honorable Administrative Board Members
Wasatch County Fire Protection Special Service District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, for the year ended December 31, 2011, and have issued our report thereon dated February 28, 2012.

Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Special Districts
- Other General Compliance Issues
- Impact Fees
- Utah Retirement System Compliance

The District did not receive any State grants during the year ended December 31, 2011.

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 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; and the *State of Utah Legal compliance Audit Guide* standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the general compliance requirement identified above. 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

CURRENT STATUS OF PRIOR YEAR IMMATERIAL INSTANCE OF NONCOMPLIANCE

1. Finding: Expenditures in Excess of Budget

Utah Code, Section 17A-1, Part 4, states that officers and employees of the District shall not incur expenditures in excess of the total appropriations for any department or fund. The District's expenditures for the Enterprise Fund were in excess of budget.

Status

This finding has been corrected.

In our opinion, the Wasatch County Fire Protection Special Service District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2011.

This report is intended solely for the information and use of management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

February 28, 2012