

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

Financial Statements

December 31, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Wasatch County Fire Protection Special Service District (District), as of and for the year ended December 31, 2013, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion on pages MD&A-1 through MD&A-10, and budgetary comparison information on pages 29-30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

April 7, 2014

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Management's Discussion and Analysis

December 31, 2013

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, 2013. 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 Protection Special Service 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 District, most sources of funding came from Heber City Corporation and Wasatch County with occasional contributions 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 the District exceeded the liabilities as of the close of the most recent year by \$2,810,702 (net position). Of this amount \$655,441 (net position - unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.
- In the General Fund, expenditures exceeded revenues by \$672,513. At the close of the fiscal year, the unassigned fund balance of the General Fund was a deficit of \$15,002. State

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statutes allow a maximum unreserved fund balance of 100% of the current year's property tax of \$957,630.

- The General Fund accrued an additional potential loss of \$541,027 related to the lawsuit filed against the District opposing fees charged for fire protection services.
- In March 2013 Wasatch County, acting as the governing board of the District, passed Resolution 13-04 creating an assessment area within the boundaries of the District in order to levy an operation and maintenance assessment on those properties within the assessment area. The District created a Special Revenue Fund to account for the collection and use of these assessments. Assessments totaling \$518,513 were levied of which \$464,598 was received prior to year end. The validity of the assessment is currently under litigation. Therefore, the District is holding these receipts in escrow and has recorded them as a contingent liability. The receivable for the uncollected assessments was reversed against the revenues. These activities in conjunction with the related legal cost have resulted in a deficit fund balance of \$537,849 in the Special Revenue Fund.
- To help with the cost of providing fire protection and emergency response within the Jordanelle Basin, the Capital Projects Fund and the General Fund each made transfers of \$100,000 to the Special Revenue Fund. The Capital Projects Fund also transferred \$200,000 to the General Fund to help pay for general operating expenditures.
- The governing board closed the District's Enterprise Fund as of December 31, 2013 and transferred all remaining assets and liabilities to other funds. Accrued compensated absences of \$41,907 were transferred to the Special Revenue Fund. The General Fund received \$1,682,023 in capital assets, \$8,560 in cash, and \$164,922 in accounts receivable due from Wasatch County. The General Fund also assumed a legal contingency of \$198,575, unearned revenue of \$2,466, and accrued compensated absences of \$42,275.

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.

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Management's Discussion and Analysis

December 31, 2013

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 Position presents information on all of the assets and liabilities of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position of the District changed during the most recent fiscal year. All changes in net position 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 included 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. Those activities are now included in the governmental activities of the District.

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

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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 three 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, Capital Projects Fund, and Special Revenue Fund, all 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 and the Special Revenue Fund to demonstrate compliance with their respective budgets.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District used an Enterprise Fund to account for its fire and emergency response related services provided in the Jordanelle Basin until the Special Revenue Fund was created. As noted previously, the Enterprise Fund was closed as of December 31, 2013.

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

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

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Management's Discussion and Analysis

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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 position may serve over time as a useful indicator of a government's financial position. In the case of Wasatch County Fire Protection Special Service District, total assets exceed total liabilities by \$2,810,702 at the close of the most recent calendar year.

Portions of the District's remaining net position represent resources that are subject to external restriction on how they may be used. The balance of net position of \$655,441 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

As of December 31, 2013, the District is able to report positive balances in all categories of net position for the government as a whole.

Charges for services have decreased significantly in the District due to the discontinuation of fees being charged as of October 2011 for the operation and maintenance of the Jordanelle Station, a business-type activity. Current charges for services consist of plan and inspection fees, fees charged for related emergency services, and penalties and interest charged on past due accounts. The District also recovered revenues previously written off as bad debt from Jordanelle Basin property owners for operation and maintenance of the Jordanelle Station.

The District receives revenues from taxes collected by Wasatch County. The tax rate increased to .000244 for 2013 from .000242 for 2012. Property tax collections increased from \$922,462 in 2012 to \$957,630 in 2013. The actual percentage of collections is slightly higher than collections in the prior year which had 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 Position and Government-wide Statement of Activities.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Government-wide Statement of Net Assets

December 31, 2013

	Governmental Activities 2013	Governmental Activities 2012	Business-Type Activities 2013	Business-Type Activities 2012	Total 2013	Total 2012	Increase (Decrease) 2012 to 2013
Assets							
Cash and cash equivalents	\$ 1,645,542	\$ 1,969,026			\$ 1,645,542	\$ 1,969,026	\$ (323,484)
Accounts receivable, net				\$ 7,271		7,271	(7,271)
Due from related party governmental entity	418,802	221,665		171,957	418,802	393,622	25,180
Restricted cash and cash equivalents							
Capital assets, net	2,155,261	520,659		1,787,749	2,155,261	2,308,408	(153,147)
Other assets	2,500	2,500			2,500	2,500	
Total assets	<u>\$ 4,222,105</u>	<u>\$ 2,713,850</u>	<u>\$ -0-</u>	<u>\$ 1,966,977</u>	<u>\$ 4,222,105</u>	<u>\$ 4,680,827</u>	<u>\$ (458,722)</u>
Liabilities							
Disbursements in excess of deposits				\$ 12,976		\$ 12,976	\$ (12,976)
Accounts payable and accrued expenses	\$ 1,411,403	\$ 34,970		327,798	\$ 1,411,403	362,768	1,048,635
Total liabilities	<u>\$ 1,411,403</u>	<u>\$ 34,970</u>	<u>\$ -0-</u>	<u>\$ 340,774</u>	<u>\$ 1,411,403</u>	<u>\$ 375,744</u>	<u>\$ 1,035,659</u>
Net Position							
Net investment in capital assets	\$ 2,155,261	\$ 523,159		\$ 1,787,749	\$ 2,155,261	\$ 2,310,908	\$ (155,647)
Net position - unrestricted (deficit)	655,441	2,155,721		(161,546)	655,441	1,994,175	(1,338,734)
Total net position	<u>\$ 2,810,702</u>	<u>\$ 2,678,880</u>	<u>\$ -0-</u>	<u>\$ 1,626,203</u>	<u>\$ 2,810,702</u>	<u>\$ 4,305,083</u>	<u>\$ (1,494,381)</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

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Government-wide Statement of Activities

For the Year Ended December 31, 2013

	Governmental Activities 2013	Governmental Activities 2012	Business-Type Activities 2013	Business-Type Activities 2012	Total 2013	Total 2012	Increase (Decrease) 2012 to 2013
Program Revenues							
Charges for services	\$ 207,595	\$ 116,755	\$ 89,036	\$ 703,659	\$ 296,631	\$ 820,414	\$ (523,783)
Grants and contributions	27,320	13,846			27,320	13,846	13,474
General Revenues							
Property taxes	957,630	922,462			957,630	922,462	35,168
Unrestricted investment earnings	8,011	15,253	5	7	8,016	15,260	(7,244)
Loss on disposals		(237)				(237)	237
Other	69,751	3,780			69,751	3,780	65,971
Total revenues	<u>1,270,307</u>	<u>1,071,859</u>	<u>89,041</u>	<u>703,666</u>	<u>1,359,348</u>	<u>1,775,525</u>	<u>(416,177)</u>
Expenses							
Fire Protection	<u>2,708,767</u>	<u>732,705</u>	<u>144,962</u>	<u>1,941,955</u>	<u>2,853,729</u>	<u>2,674,660</u>	<u>179,069</u>
Total expenses	<u>2,708,767</u>	<u>732,705</u>	<u>144,962</u>	<u>1,941,955</u>	<u>2,853,729</u>	<u>2,674,660</u>	<u>179,069</u>
Excess (deficiency) before transfers	(1,438,460)	339,154	(55,921)	(1,238,289)	(1,494,381)	(899,135)	(595,246)
Transfers	<u>1,570,282</u>	<u>(750,000)</u>	<u>(1,570,282)</u>	<u>750,000</u>			
Change in net position	131,822	(410,846)	(1,626,203)	(488,289)	(1,494,381)	(899,135)	(595,246)
Net position - beginning of year	<u>2,678,880</u>	<u>3,089,726</u>	<u>1,626,203</u>	<u>2,114,492</u>	<u>4,305,083</u>	<u>5,204,218</u>	<u>(899,135)</u>
Net position - end of year	<u>\$ 2,810,702</u>	<u>\$ 2,678,880</u>	<u>\$ -0-</u>	<u>\$ 1,626,203</u>	<u>\$ 2,810,702</u>	<u>\$ 4,305,083</u>	<u>\$ (1,494,381)</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Management's Discussion and Analysis

December 31, 2013

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. As a whole, the governmental funds had an unassigned fund balance deficit of \$552,851 due to the lack of recognizable revenues in the Special Revenue Fund.

As of December 31, 2013, the District's governmental funds reported combined ending fund balances of \$652,941. The General Fund is the chief operating fund of the District. At the end of the current year, the fund balance of the General Fund was a deficit \$15,002 all of which was unassigned. The Capital Projects Fund balance of \$1,205,792 was assigned by the governing board for the acquisition and construction of capital facilities, improvements and equipment. The governing board has reassigned funds from the Capital Project Fund as necessary to be used for operations.

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. As noted previously, the Enterprise Fund proprietary fund was closed as of December 31, 2013, and all remaining assets and liabilities were transferred to other funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget revenues and the amended budget revenues was an increase of \$91,903. The budget revenues were amended to reflect a decrease in projected tax revenues. The amendment also included a projected increase in plan and inspection revenue and other miscellaneous revenues.

The difference between the original budget expenditures and the amended budget expenditures was a decrease of \$280,491. The budget expenditures were amended to reflect a decrease in

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Management's Discussion and Analysis

December 31, 2013

projected professional services, materials, supplies and other expenses. An increase in payroll and related benefit costs, utilities and repairs was also projected.

The difference between the amended budget revenues and the actual revenues was an increase of \$120,680 resulting mostly from receiving more in property tax revenues, and plan and inspection revenues than projected.

The difference between the amended budget expenditures and actual expenditures was an increase of \$601,957. This increase was due in part to actual legal fees, repair costs and capital outlay exceeding projections. As noted previously, there was also an increase in estimated legal contingencies resulting in an expense of \$541,027.

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 funds received and expended in acquiring and improving sites, constructing and remodeling facilities and procuring equipment necessary for providing programs for the citizens of the District. As noted previously, the District's governing board assigned \$1,205,792 to this purpose as of December 31, 2013.

Net investments in capital assets for governmental activities had a balance of \$2,155,261 for the year ending December 31, 2013. These assets consist of fire suppression vehicles, equipment, and buildings used to provide services within Wasatch County. The increase of \$1,634,602 over last year's balance of \$523,159 is due mostly to the transfer from the Enterprise Fund of \$1,682,023 of capital assets consisting of fire suppression vehicles and equipment, and the Jordanelle Fire Station in the Jordanelle Basin and all related furniture, fixtures and equipment.

Related Party Receivable – Governmental Activities

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 a related governmental entity in the amount of \$164,922.

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In addition to this receivable, the District has accrued a receivable of \$250,550 for property taxes and \$3,330 for plan and inspection fees collected by Wasatch County and remitted to the District within 60 days of year end.

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.

LOOKING FORWARD

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. In January 2013, the Fourth Judicial District Court upheld the summary judgment and ordered the District to give a full refund of the monthly fees. All claims and defenses were finally adjudicated on May 16, 2013. The District is appealing the Court's judgment. Additional information on this contingency can be found in the notes to the financial statements.

As noted previously, the governing board of the District created an assessment area within the boundaries of the District in order to levy an operation and maintenance assessment on those properties within the designated area. A suit was brought against the District on the grounds that the protests to the assessment area were incorrectly tabulate. As of December 31, 2013, a final determination of the accuracy of the results had not occurred. If found in the District's favor, \$518,513 of assessments will be recognized as revenue in the coming year in addition to the 2014 assessment. These transactions will clear the Special Revenue Fund's deficit fund balance. Additional information on this contingency can also 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

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Government-wide Statement of Net Position

December 31, 2013

With Comparative Totals for December 31, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>2012</u>
ASSETS				
Cash and cash equivalents	\$ 1,645,542		\$ 1,645,542	\$ 1,969,026
Accounts receivable (net of allowance for doubtful accounts)				7,271
Due from related governmental entity	418,802		418,802	393,622
Capital assets				
Land	100,000		100,000	100,000
Depreciable buildings and equipment, net	2,055,261		2,055,261	2,208,408
Other assets	2,500		2,500	2,500
Total assets	<u>\$ 4,222,105</u>	<u>\$ - 0 -</u>	<u>\$ 4,222,105</u>	<u>\$ 4,680,827</u>
LIABILITIES				
Checks in excess of deposits				\$ 12,976
Accounts payable and accrued expenses	\$ 90,901		\$ 90,901	65,846
Accrued compensated absences	116,302		116,302	98,347
Contingency	1,204,200		1,204,200	198,575
Total liabilities	<u>\$ 1,411,403</u>	<u>\$ - 0 -</u>	<u>\$ 1,411,403</u>	<u>\$ 375,744</u>
NET POSITION				
Net investment in capital assets	\$ 2,155,261		\$ 2,155,261	\$ 2,310,908
Net position - unrestricted	655,441		655,441	1,994,175
Total net position	<u>\$ 2,810,702</u>	<u>\$ - 0 -</u>	<u>\$ 2,810,702</u>	<u>\$ 4,305,083</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

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Government-wide Statement of Activities

For the Year Ended December 31, 2013

With Comparative Totals for Year Ended December 31, 2012

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Fire protection	\$ 2,708,767	\$ 207,595	\$ 27,320	
Total governmental activities	<u>2,708,767</u>	<u>207,595</u>	<u>27,320</u>	
Business-Type Activities				
Fire protection	144,962	89,036		
Total business-type activities	<u>144,962</u>	<u>89,036</u>		
 Total government	 <u>\$ 2,853,729</u>	 <u>\$ 296,631</u>	 <u>\$ 27,320</u>	 <u>\$ -0-</u>
General Revenues				
Taxes - ad valorem				
Interest income				
Gain (loss) on disposal				
Transfers				
Other				
Total general revenues				
 Change in net position				
 Net position assets beginning of year				
 Net position end of year				

Net (Expenses) Revenues and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	2012
\$ (2,473,852)		\$ (2,473,852)	\$ (598,324)
(2,473,852)		(2,473,852)	(598,324)
	\$ (55,926)	(55,926)	(1,238,296)
	(55,926)	(55,926)	(1,238,296)
(2,473,852)	(55,926)	(2,529,778)	(1,836,620)
957,630		957,630	922,462
8,011	5	8,016	15,260
			(237)
1,570,282	(1,570,282)		
69,751		69,751	
2,605,674	(1,570,277)	1,035,397	937,485
131,822	(1,626,203)	(1,494,381)	(899,135)
2,678,880	1,626,203	4,305,083	5,204,218
\$ 2,810,702	\$ -0-	\$ 2,810,702	\$ 4,305,083

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Balance Sheet

Governmental Funds

December 31, 2013

With Comparative Totals for December 31, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>	<u>2012</u>
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 427,970	\$ 1,205,792	\$ 11,780	\$ 1,645,542	\$ 1,969,026
Due from related governmental entity	418,802			418,802	221,665
Total assets	<u>\$ 846,772</u>	<u>\$ 1,205,792</u>	<u>\$ 11,780</u>	<u>\$ 2,064,344</u>	<u>\$ 2,190,691</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 29,672		\$ 2,361	\$ 32,033	\$ 7,972
Accrued payroll and employee benefits	11,757		24,193	35,950	5,067
Accrued compensated absences	71,086		45,216	116,302	14,165
Accrued liabilities	2,466		13,261	15,727	
Contingencies	739,602		464,598	1,204,200	
Payable - other governmental unit	7,191			7,191	7,766
Total liabilities	<u>861,774</u>		<u>549,629</u>	<u>1,411,403</u>	<u>34,970</u>
Fund Balance					
Assigned		\$ 1,205,792		1,205,792	1,498,210
Unassigned	(15,002)		(537,849)	(552,851)	657,511
Total fund balance (deficit)	<u>(15,002)</u>	<u>1,205,792</u>	<u>(537,849)</u>	<u>652,941</u>	<u>2,155,721</u>
Total liabilities and fund balance	<u>\$ 846,772</u>	<u>\$ 1,205,792</u>	<u>\$ 11,780</u>	<u>\$ 2,064,344</u>	<u>\$ 2,190,691</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 Position**

December 31, 2013

Total fund balance - total governmental funds	\$ 652,941
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets and other assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	2,157,761
Net position of governmental activities	<u><u>\$ 2,810,702</u></u>

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, 2013

With Comparative Totals for Year Ended December 31, 2012

	General	Capital Projects	Special Revenue	Total Governmental Funds	2012
Revenues					
Property taxes	\$ 957,630			\$ 957,630	\$ 922,462
Plans and inspections	151,511			151,511	87,972
Grants	27,320			27,320	13,846
Interest	429	\$ 7,582		8,011	15,253
Charges for services	33,390		\$ 22,694	56,084	32,563
Other revenues			69,751	69,751	
Total revenues	<u>1,170,280</u>	<u>7,582</u>	<u>92,445</u>	<u>1,270,307</u>	<u>1,072,096</u>
Expenditures					
Current					
Payroll and related benefits	1,017,833		576,210	1,594,043	517,669
Professional services	114,160		197,879	312,039	23,682
Materials and supplies	33,614		5,201	38,815	35,791
Training and certification	3,593		590	4,183	3,331
Utilities	19,759		7,710	27,469	
Insurance	19,554			19,554	9,214
Repairs and maintenance	102,590		797	103,387	69,032
Other	542,288			542,288	1,120
Capital outlay	19,566			19,566	
Total expenditures	<u>1,872,957</u>		<u>788,387</u>	<u>2,661,344</u>	<u>659,839</u>
Excess (deficiency) of revenues over expenditures	<u>(702,677)</u>	<u>7,582</u>	<u>(695,942)</u>	<u>(1,391,037)</u>	<u>412,257</u>
Other Financing Sources (Uses)					
Operating transfers in	130,164		200,000	330,164	
Operating transfers out	<u>(100,000)</u>	<u>(300,000)</u>	<u>(41,907)</u>	<u>(441,907)</u>	<u>(750,000)</u>
Total other financing uses	<u>30,164</u>	<u>(300,000)</u>	<u>158,093</u>	<u>(111,743)</u>	<u>(750,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(672,513)</u>	<u>(292,418)</u>	<u>(537,849)</u>	<u>(1,502,780)</u>	<u>(337,743)</u>
Fund balance at beginning of year	<u>657,511</u>	<u>1,498,210</u>		<u>2,155,721</u>	<u>2,493,464</u>
Fund balance at end of year	<u>\$ (15,002)</u>	<u>\$ 1,205,792</u>	<u>\$ (537,849)</u>	<u>\$ 652,941</u>	<u>\$ 2,155,721</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, 2013

Net change in fund balances - total governmental funds		\$ (1,502,780)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciable expense. This is the amount of capital assets recorded in the current period.		19,566
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(66,987)
Capital assets contributed to the business-type activity are reported as a transfer.		
Capital assets	\$ 3,092,291	
Accumulated depreciation	<u>(1,410,268)</u>	
Net capital assets transferred		1,682,023
Change in net position of governmental activities		<u>\$ 131,822</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Statement of Net Position

Proprietary Fund

December 31, 2013

With Comparative Totals for December 31, 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Accounts receivable (net of allowance for doubtful accounts of \$0 and \$2,519,664, respectively)		\$ 7,271
Due from other government		171,957
Total current assets		<u>179,228</u>
Noncurrent Assets		
Capital assets		
Land		104,204
Depreciable buildings and equipment, net		1,683,545
Total noncurrent assets		<u>1,787,749</u>
Total assets	<u>\$ - 0 -</u>	<u>\$ 1,966,977</u>

LIABILITIES

Current Liabilities		
Checks in excess of deposits		\$ 12,976
Accounts payable		14,613
Accrued payroll and employee benefits		30,365
Accrued compensated absences		84,182
Payable - other governmental unit		63
Lawsuit contingency		198,575
Total current liabilities	<u>\$ - 0 -</u>	<u>\$ 340,774</u>

NET POSITION

Net investment in capital assets		\$ 1,787,749
Unrestricted deficit		<u>(161,546)</u>
Total net position	<u>\$ - 0 -</u>	<u>\$ 1,626,203</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

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

For the Year Ended December 31, 2013

With Comparative Totals for Year Ended December 31, 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Charges for services	\$ 39,225	\$ 370,771
Revenue recoveries	49,811	332,888
Total operating revenues	<u>89,036</u>	<u>703,659</u>
Operating Expenses		
Payroll and related benefits		952,406
Professional services	11	345,036
Materials and supplies		35,856
Training and certification		25
Utilities		20,709
Insurance		9,214
Repairs and maintenance		19,423
Bad debt	39,225	240,861
Depreciation	105,726	117,630
Other		2,220
Total operating expenses	<u>144,962</u>	<u>1,743,380</u>
Operating loss	<u>(55,926)</u>	<u>(1,039,721)</u>
Nonoperating Revenues and (Expenses)		
Interest income	5	7
Lawsuit contingency		(198,575)
Total nonoperating revenues and (expenses)	<u>5</u>	<u>(198,568)</u>
Loss before contributions and transfers	<u>(55,921)</u>	<u>(1,238,289)</u>
Other Financing Sources		
Operating transfers in		750,000
Operating transfers out	(1,570,282)	
Total other financing sources	<u>(1,570,282)</u>	<u>750,000</u>
Change in Net Position	(1,626,203)	(488,289)
Net position, beginning of year	1,626,203	2,114,492
Net position, end of year	<u>\$ - 0 -</u>	<u>\$ 1,626,203</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, 2013

With Comparative Totals for Year Ended December 31, 2012

	2013	2012
Cash Flows from Operating Activities		
Receipts from customers	\$ 66,583	\$ 434,759
Payments to suppliers	(14,687)	(469,216)
Payments to employees	(30,365)	(937,166)
Other payments		(2,220)
Net cash provided (used) by operating activities	<u>21,531</u>	<u>(973,843)</u>
Cash Flows from Noncapital Financing Activities		
Operating transfers in (out)	<u>(8,560)</u>	<u>750,000</u>
Net cash provided (used) by noncapital financing activities	<u>(8,560)</u>	<u>750,000</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets		
Purchase of capital assets		<u>(6,000)</u>
Net cash used by capital and related financing activities	<u>-0-</u>	<u>(6,000)</u>
Cash Flows from Investing Activities		
Interest	<u>5</u>	<u>7</u>
Net cash provided by investing activities	<u>5</u>	<u>7</u>
Net increase (decrease) in cash and cash equivalents	12,976	(229,836)
Balances at beginning of year	<u>(12,976)</u>	<u>216,860</u>
Balances at end of year	<u>\$ - 0 -</u>	<u>\$ (12,976)</u>
Cash and cash equivalents	<u>\$ - 0 -</u>	<u>\$ (12,976)</u>
<i>Reconciliation of operating loss to net cash used by operating activities</i>		
Operating loss	\$ (55,921)	\$ (1,039,721)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation	105,726	117,630
Changes in assets and liabilities		
(Increase) Decrease in receivables and prepaids	14,306	(12,986)
(Decrease) Increase in accrued liabilities	<u>(42,580)</u>	<u>(38,766)</u>
Net cash provided (used) by operating activities	<u>\$ 21,531</u>	<u>\$ (973,843)</u>

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, 2013

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 (GASB). 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 61, 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 Position 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.

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.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Special Revenue Fund

The Special Revenue Fund is used to account for the collection and use of assessments levied against property in a designated assessment area. Activities of the fund include fire protection and emergency response services provided by the Jordanelle Station in the Jordanelle Basin; operations and maintenance of the Jordanelle Station; and billing and collection activities.

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).

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 Position. The District had only one proprietary fund which was a major fund as described below. This fund was closed as of December 31, 2013 and all remaining assets and liabilities were transferred to other funds.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Enterprise Fund

The Enterprise Fund was used to account for fire protection and emergency response provided by the Jordanelle Station in the Jordanelle Basin. Activities of the fund included administration, operations and maintenance of the building, and billing and collection activities. The fund also accounted for the services of the full-time fire suppression personnel. All costs were 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, Special Revenue Fund, and Capital Projects Fund 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:

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.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Restricted Fund Balance

Any Restricted Fund Balance includes amounts that are restricted for specific purposes stipulated by external resource 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.

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 Position

Net position represents the difference between assets and liabilities. *Net investment in capital assets* 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 position* is reported as restricted when there are limitations imposed on its 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Position; and the Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net position. 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. 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.

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 9 for further information.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

For the proprietary fund, the District considered an account to be delinquent if payment was not received by the last day of the month. All delinquent accounts were assessed a finance charge of 1.25 percent per month, 15 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. 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. Each year the allowance is evaluated by management and adjusted to the level deemed necessary.

For the special revenue fund, the District considers an account to be delinquent if payment has not been received by June 25. All delinquent accounts are assessed a finance charge of .84 percent per month, 10 percent per annum. Foreclosure proceedings will occur if payment is not received within 90 days.

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.

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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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	5 - 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, 2013.

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.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2013, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at December 31, 2013 is not considered significant.

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. No changes have been made in the presentation of the comparative data.

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). 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, 2013, \$239,895 of the District's bank balances of \$496,741 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 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk (Continued)

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, 2013, the District had investments of \$1,207,705 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

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 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, 2013, \$1,205,792 was available for use and is shown as an assigned fund balance of the Capital Projects Fund.

NOTE 3 – RECEIVABLE DUE FROM WASATCH COUNTY MUNICIPAL BUILDING AUTHORITY

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 moneys 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 a capital lease agreement; therefore, the total amount financed was capitalized by the District under a capital lease obligation.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 3 – RECEIVABLE DUE FROM WASATCH COUNTY MUNICIPAL BUILDING AUTHORITY (CONTINUED)

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 a related governmental entity.

NOTE 4 – EMPLOYEE BENEFIT PLANS

State Retirement

The District contributes to the Local Governmental Noncontributory Retirement System, and the Firefighters Division A Retirement System for qualifying employees. These retirement systems are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The District also contributes to the 401(k) Defined Contribution System for qualifying employees administered by this same group. The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated 1953* (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. 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 4 – EMPLOYEE BENEFIT PLANS (CONTINUED)

State Retirement (Continued)

The District was required to contribute 16.04% of annual covered salary on behalf of participants in the Public Employees Noncontributory Retirement System from the period January 2013 to June 2013, and 17.29% from the period July 2013 to December 2013. In the Firefighters Division A Retirement System members were required to contribute 15.05% of their salary from the period January 2013 to December 2013 all of which was paid by the District for the employee. The District was required to contribute 2.66% of annual covered salary on behalf of participants in the Firefighters Division A Retirement System from the period January 2013 to June 2013, and 2.96% from the period July 2013 to December 2013. 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 18.01%.

The District's contributions were as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Local Governmental - Noncontributory	\$ 9,291	\$ 8,315	\$ 8,695
Firefighters Division A	111,073	95,819	104,238
401(k) Plan	<u>60,798</u>	<u>57,283</u>	<u>62,444</u>
Total District contributions	<u>\$ 181,162</u>	<u>\$ 161,417</u>	<u>\$ 175,377</u>

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.

NOTE 5 – 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 Fire Chief. An employee may carry over any unused vacation days to the next

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

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Notes to Financial Statements

December 31, 2013

NOTE 5 – COMPENSATED ABSENCES (CONTINUED)

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 Fire Chief. Fire suppression personnel may carry over 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.

NOTE 6 – LONG-TERM DEBT

The changes in long-term debt are as follows:

	<u>Balance</u> <u>12/31/2012</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities						
Accrued compensated absences	\$ 14,165	\$ 62,822	\$ (44,867)	\$ 84,182	\$ 116,302	\$ 116,302
Business-type Activities						
Accrued compensated absences	<u>84,182</u>			<u>(84,182)</u>	<u>-0-</u>	<u>-0-</u>
Total government	<u>\$ 107,423</u>	<u>\$ 62,822</u>	<u>\$ (44,867)</u>	<u>\$ -0-</u>	<u>\$ 116,302</u>	<u>\$ 116,302</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land			\$ 100,000	\$ 100,000
Capital assets not in use	\$ 2,500			2,500
Total capital assets not being depreciated	2,500		100,000	102,500
Capital assets being depreciated:				
Building and improvements			1,349,071	1,349,071
Equipment	223,982	\$ 19,566	6,095	249,643
Furniture and fixtures	1,092			1,092
Land improvements			5,866	5,866
Vehicles	1,237,579		220,991	1,458,570
Total capital assets being depreciated	1,462,653	19,566	1,582,023	3,064,242
Less accumulated depreciation for:				
Equipment	(212,919)	(8,202)		(221,121)
Furniture and fixtures	(1,092)			(1,092)
Vehicles	(730,483)	(58,785)		(789,268)
Total accumulated depreciation	(944,494)	(66,987)		(1,011,481)
Net depreciable assets	518,159	(47,421)	1,582,023	2,052,761
Governmental activities capital assets, net	\$ 520,659	\$ (47,421)	\$ 1,682,023	\$ 2,155,261
	Beginning Balance	Increases	Reclassification/ Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 100,000		\$ (100,000)	
Total capital assets not being depreciated	100,000		(100,000)	
Capital assets being depreciated:				
Building and improvements	2,087,392		(2,087,392)	
Equipment	156,465		(156,465)	
Furniture and fixtures	17,165		(17,165)	
Land improvements	4,204		(4,204)	
Office equipment	85,911		(85,911)	
Vehicles	641,154		(641,154)	
Total other capital assets at historical cost	2,992,291		(2,992,291)	
Less accumulated depreciation for:				
Building and improvements	(685,709)	\$ (52,612)	738,321	
Equipment	(136,741)	(13,629)	150,370	
Furniture and fixtures	(17,165)		17,165	
Land improvements	(2,928)	(1,410)	4,338	
Office equipment	(85,911)		85,911	
Vehicles	(376,088)	(38,075)	414,163	
Total accumulated depreciation	(1,304,542)	(105,726)	1,410,268	
Net depreciable assets	1,687,749	(105,726)	(1,582,023)	
Business-type activities capital assets, net	\$ 1,787,749	\$ (105,726)	\$ (1,682,023)	\$ -0-

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 8 – 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 9 – INTERFUND BALANCES AND OPERATING TRANSFERS

Interfund transfers occur routinely throughout the year as the Capital Projects 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 Capital Projects Fund. Due to the legal contingencies described in Note 11, the District did not have cash coming into the Enterprise Fund or the Special Revenue Fund that could be used for operations. Therefore, the Capital Projects Fund also transferred funds to the General Fund and Special Revenue Fund to be used for operations. The General Fund also transferred funds to the Special Revenue Fund to be used for operations.

In 2013, the District transferred \$100,000 from the Capital Projects Fund to the Special Revenue Fund and \$200,000 to the General Fund to assist with operations of the District. The General Fund transferred \$100,000 to the Special Revenue Fund to assist with the operations of the Jordanelle Station.

As of December 31, 2013, the Enterprise Fund was closed and all remaining assets and liabilities were transferred to other funds. The Special Revenue Fund assumed a liability of \$41,907 of accrued compensated absences. The General Fund received \$8,560 in cash, capital assets valued at \$1,682,023, and a receivable due from Wasatch County in the amount of \$164,922. The General Fund assumed a liability of \$42,277 in compensated absences, unearned revenue of \$2,466, and a legal contingency of \$198,575.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2013

NOTE 10 – RELATED PARTY TRANSACTIONS

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, 2013 totaled \$209,994 with \$18,481 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 \$48,763 for these services during the year ended December 31, 2013 with \$7,128 due at year end.

NOTE 11 – CONTINGENCIES

Enterprise Fund Service Charge

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. In January 2013, the Fourth Judicial District Court upheld the summary judgment and ordered the District to give a full refund of the monthly fees. All claims and defenses were finally adjudicated pursuant to numerous Rulings and Orders on May 16, 2013. Thereafter, the District filed an appeal of the District Court's rulings and order.

The District Court ordered that the plaintiffs were entitled to prejudgment interest at a rate of 10% per annum through May 16, 2013; thereafter, interest would be calculated at the post judgment statutory rate of 2.16%. Each plaintiff asserted and were awarded a different amount of damages totaling \$1,247,803 with interest.

The District's legal counsel believes there are substantial bases for the Court of Appeals to disagree with the District Court's decision and would modify or vacate its rulings and orders. As of December 31, 2013, \$739,602 has been accrued as a potential loss contingency consistent with the Attorney's assessment of amounts that have already been awarded by the Court in the form of fees and legal costs.

Special Revenue Fund Assessment

In March 2013, Wasatch County acting as the governing board of the District passed Resolution 13-04 creating the Wasatch Fire Assessment Area within the boundaries of the District in order to levy an operation and maintenance assessment on those properties within the designated area. The purpose of this assessment is to finance a portion of the fire protection services of the full-time firefighters housed at the Jordanelle Station.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

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Notes to Financial Statements

December 31, 2013

NOTE 11 – CONTINGENCIES *(CONTINUED)*

A suit was then brought against the District on the grounds that the written protests were incorrectly tabulated resulting in the passing of the resolution creating the assessment area. During the subsequent investigation, the District discovered that many of the written protests had been forged. Additional procedures were then necessary to verify the results of the protest period.

As of December 31, 2013, a final count has not been determined. Therefore, the District has reclassified the \$464,598 of assessments received during 2013 as a legal contingency in the chance that these assessments will need to be refunded once a final determination is made.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through April 7, 2014, which is the date the financial statements were available to be issued. There are no other events to disclose as of this date.

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Special Revenue 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 the Year Ended December 31, 2013

With Comparative Totals for Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2012 Actual</u>
Revenues					
Property taxes	\$ 899,997	\$ 873,700	\$ 957,630	\$ 83,930	\$ 922,462
Plans and inspections	48,000	126,600	151,511	24,911	87,972
Grants	5,000	17,100	27,320	10,220	13,846
Interest	4,700	5,400	429	(4,971)	951
Charges for services			33,390		
Other		26,800		(26,800)	32,563
Total revenues	<u>957,697</u>	<u>1,049,600</u>	<u>1,170,280</u>	<u>87,290</u>	<u>1,057,794</u>
Expenditures					
Current					
Payroll and related benefits	956,916	1,012,200	1,017,833	(5,633)	517,669
Professional services	301,675	100,500	114,160	(13,660)	23,682
Materials and supplies	166,500	30,900	33,614	(2,714)	35,791
Training and certification	13,500	2,500	3,593	(1,093)	3,331
Utilities	3,300	16,600	19,759	(3,159)	
Insurance	17,000	19,600	19,554	46	9,214
Repairs and maintenance	80,000	86,600	102,590	(15,990)	69,032
Other	12,600	2,100	542,288	(540,188)	1,120
Capital outlay			19,566	(19,566)	
Total expenditures	<u>1,551,491</u>	<u>1,271,000</u>	<u>1,872,957</u>	<u>(601,957)</u>	<u>659,839</u>
Excess (deficiency) of revenues over expenditures	<u>(593,794)</u>	<u>(221,400)</u>	<u>(702,677)</u>	<u>(514,667)</u>	<u>397,955</u>
Other Financing Uses					
Operating transfers in	593,794	200,000	130,164	(69,836)	
Operating transfers out		(42,300)	(100,000)	(57,700)	(250,000)
Total other financing uses	<u>593,794</u>	<u>157,700</u>	<u>30,164</u>	<u>(127,536)</u>	<u>(250,000)</u>
Excess (deficiency) of revenues and other financing uses over expenditures		(63,700)	(672,513)	\$ (642,203)	147,955
Fund balance at beginning of year	<u>657,511</u>	<u>657,511</u>	<u>657,511</u>		<u>509,556</u>
Fund balance at end of year	<u>\$ 657,511</u>	<u>\$ 593,811</u>	<u>\$ (15,002)</u>		<u>\$ 657,511</u>

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 - Special Revenue Fund
For the Year Ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance
Revenues				
Grants	\$ 5,000			
Interest		\$ 1,100		\$ (1,100)
Charges for services	25,000	18,400	\$ 22,694	4,294
Other	740,002	587,600	69,751	(517,849)
Total revenues	<u>770,002</u>	<u>607,100</u>	<u>92,445</u>	<u>(514,655)</u>
Expenditures				
Current				
Payroll and related benefits	607,504	567,800	576,210	(8,410)
Professional services	32,998	183,000	197,879	(14,879)
Materials and supplies	2,200	700	5,201	(4,501)
Training and certification	5,000	600	590	10
Utilities	16,400	7,900	7,710	190
Repairs and maintenance		800	797	3
Other	7,500	5,000		5,000
Total expenditures	<u>671,602</u>	<u>765,800</u>	<u>788,387</u>	<u>(22,587)</u>
Excess (deficiency) of revenues over expenditures	<u>98,400</u>	<u>(158,700)</u>	<u>(695,942)</u>	<u>(537,242)</u>
Other Financing Uses				
Operating transfers in		100,000	200,000	100,000
Operating transfers out			(41,907)	(41,907)
Total other financing uses		<u>100,000</u>	<u>158,093</u>	<u>58,093</u>
Excess (deficiency) of revenues and other financing uses over expenditures	<u>98,400</u>	<u>(58,700)</u>	<u>(537,849)</u>	<u>\$ (479,149)</u>
Fund balance at beginning of year				
Fund balance at end of year	<u>\$ 98,400</u>	<u>\$ (58,700)</u>	<u>\$ (537,849)</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, 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, the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

April 7, 2014



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

Honorable Administrative Board Members
Wasatch County Fire Protection Special Service District

REPORT ON COMPLIANCE

We have audited the Wasatch County Fire Protection Special Service District (District)'s compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended December 31, 2013.

The general compliance requirements applicable to the District are identified as follows:

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

The District did not receive any major assistance programs from the State of Utah during the year ended December 31, 2013.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of The District's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about

whether noncompliance with the compliance requirements referred to above that could have a material effect on the District and its major programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, 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, 2013.

Other Matters

The results of our auditing procedures disclosed immaterial instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described below as items 2013-1 and 2013-2.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

CURRENT YEAR IMMATERIAL INSTANCES 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 both the General Fund and the Special Revenue Fund were in excess of the respective budgets.

District's Response

We agree with the finding and will monitor and amend budgets as necessary. The current year budget overages were primarily due the lawsuit contingency.

2. Finding: Deficit Fund Balance

Utah Code, Section 17B-1-612, states that officers and employees of the District shall maintain a minimum/maximum fund balance as required by statute. The District's General Fund and Special Revenue Fund had deficit fund balances for the year ended December 31, 2013.

District's Response

We agree with the finding and will strive to maintain the fund balances as required by statute. The deficit fund balances were created due to the litigation. We believe once the litigation is resolved the fund balances will be within state statutes.

CURRENT STATUS OF PRIOR YEAR FINDINGS

There were no findings in the prior year.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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CERTIFIED PUBLIC ACCOUNTANTS

April 7, 2014