

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

Financial Statements

December 31, 2014

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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 and major funds of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, as of and for the year ended December 31, 2014, 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 and each major fund of Wasatch County Fire Protection Special Service District, as of and for the year ended December 31, 2014, 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 3 through 14, and budgetary comparison information on pages 38-39, 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 June 11, 2015 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

June 11, 2015

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Management's Discussion and Analysis

December 31, 2014

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, 2014. 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 THE DISTRICT

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 exceed the liabilities as of the close of the most recent year by \$1,986,190 (net position). Of this amount \$2,011,455 is invested in capital assets leaving a deficit balance of \$25,265 (net position – unrestricted) that may be used to meet the government's ongoing obligations to citizens and creditors.

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- In the General Fund, expenditures exceed revenues by \$313,354. This deficit is in part due to the accrual of additional potential losses of \$601,675 related to a lawsuit opposing fees charged for fire protection services. At the close of the fiscal year, the unassigned fund balance of the General Fund has a deficit balance of \$257,270.
- The General Fund collected \$1,596,978 in property taxes during the current year.
- The Special Revenue Fund levied assessments totaling \$632,578 during 2014. The validity of the assessment is currently under litigation. Therefore, the District accrued a contingent liability for the amount of assessment payments received during the year of \$564,896. These activities in conjunction with the related legal cost have resulted in a deficit fund balance of \$1,033,577 in the Special Revenue Fund as of December 31, 2014.
- The District determined that a receivable due from a related governmental entity would most likely not be collected. Therefore, the District recorded an allowance for this possible loss in the amount of \$164,922 in the General Fund. The receivable had been transferred from the Enterprise Fund when it was closed in 2013.

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 intends to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The Statement of Net 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

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Management's Discussion and Analysis

December 31, 2014

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 Wasatch County Fire Protection Special Service 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 are *governmental funds* as of January 1, 2014.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

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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, and can be found in the required supplementary information.

Notes to the Financial Statements

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

Other Information

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

Please refer to the table of contents for the location of both the basic governmental fund financial statements, the required supplementary information, and the additional auditors' reports.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

At the close of the most recent calendar year, the District's total assets are \$4,609,035, total liabilities are \$2,622,845, and net position is \$1,986,190.

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Management's Discussion and Analysis

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Capital Assets

Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental fund financial statements. However, they are reported in the government-wide statement of net position. In addition, depreciation for the current year is reported only in the government-wide statement of activities. As of December 31, 2014, the District's capital assets total \$3,158,925. Accumulated depreciation equals \$1,147,470 and depreciation expense for the year is \$143,618.

Long-term Liabilities

At the end of the current year, the District had no debt outstanding for governmental activities. The District's long-term liability is comprised of accrued compensated absences. Additional information on the District's accrued compensated absences can be found in Note 6 to the financial statements.

Net Position

The District's net position, the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases or decreases in the District's net position will be one indicator of whether its financial health is improving or deteriorating. However, one will also need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation. The District's net position is comprised of two categories: *net investment in capital assets* and *net position – unrestricted*.

Net investment in capital assets is the difference between capital assets net of accumulated depreciation and any outstanding debt issued to construct these assets. Net investments in capital assets has a balance of \$2,011,455 for the year ended December 31, 2014. These assets consist of fire suppression vehicles, equipment, and buildings used to provide services within Wasatch County. For the year ended December 31, 2014, net investment in capital assets decreased \$143,806 from the previous year. This change is due mostly to the \$143,618 increase in accumulated depreciation.

Net position – unrestricted are the remaining assets. These assets are not subject to external restrictions on how they may be used. The District reported a decrease of \$725,115 in unrestricted net assets as of December 31, 2014. As of December 31, 2014, the ending deficit balance in unrestricted net position is \$25,265, as shown in the summary statement on the following page.

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**Management's Discussion and Analysis
Government-wide Statement of Net Position**

December 31, 2014

With comparative totals as of December 31, 2013

	Governmental Activities 2014	Governmental Activities 2013	Business-Type Activities 2014	Business-Type Activities 2013	Total 2014	As Restated Total 2013	Increase (Decrease) 2013 to 2014
Assets							
Cash and cash equivalents	\$ 2,007,322	\$ 1,645,542			\$ 2,007,322	\$ 1,645,542	\$ 361,780
Accounts receivable, net	192,208	55,679			192,208	55,679	136,529
Due from related party governmental entity	395,550	418,802			395,550	418,802	(23,252)
Capital assets, net	2,011,455	2,155,261			2,011,455	2,155,261	(143,806)
Other capital assets	2,500	2,500			2,500	2,500	
Total assets	<u>\$ 4,609,035</u>	<u>\$ 4,277,784</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,609,035</u>	<u>\$ 4,277,784</u>	<u>\$ 331,251</u>
Liabilities							
Accounts payable and accrued expenses	\$ 241,133	\$ 207,203			\$ 241,133	\$ 207,203	\$ 33,930
Contingency	2,381,712	1,215,470			2,381,712	1,215,470	1,166,242
Total liabilities	<u>\$ 2,622,845</u>	<u>\$ 1,422,673</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,622,845</u>	<u>\$ 1,422,673</u>	<u>\$ 1,200,172</u>
Net Position							
Net investment in capital assets	\$ 2,011,455	\$ 2,155,261			\$ 2,011,455	\$ 2,155,261	\$ (143,806)
Net position – unrestricted	(25,265)	699,850			(25,265)	699,850	(725,115)
Total net position	<u>\$ 1,986,190</u>	<u>\$ 2,855,111</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,986,190</u>	<u>\$ 2,855,111</u>	<u>\$ (868,921)</u>

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This deficit is the result of contingency accruals related to two lawsuits; one protesting the fees charged for fire protection services which is accounted for in the General Fund, the other protesting the creation of the assessment area which is accounted for in the Special Revenue Fund. Further information regarding these suits can be found later in this discussion, and in the notes to the financial statements.

Statement of Activities

Charges for services consist of plan and inspection fees, fire suppression services, other related emergency services, and penalties and interest charged on past due accounts. Charges for services increased \$86,755. This increase is attributable to the increase in the levied assessment in the Special Revenue Fund, and an increase in fees for emergency medical services.

The District receives revenues from taxes collected by Wasatch County. The tax mill levy increased to .000419 for 2014 from .000244 for 2013. Total property tax receipts increased \$639,348. As reported, property taxes consist of current year levies, in lieu of fee receipts, prior years' delinquent taxes, and penalties and interest.

Expenditures for fire protection services increased \$140,938 in comparison to the prior year. This increase is due mostly to the increase bad debt expense of \$164,922 in comparison to the prior year.

Net position decreased \$868,921 from the previous year as a result of the net increase in expenses mentioned previously for contingencies and bad debt. See the summary Government-wide Statement of Activities on the following page for more information.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

Management's Discussion and Analysis

Government-wide Statement of Activities

For the year ended December 31, 2014

With comparative totals for the year ended December 31, 2013

	Governmental Activities 2014	Governmental Activities 2013	Business-Type Activities 2014	Business-Type Activities 2013	Total 2014	As Restated Total 2013	Increase (Decrease) 2013 to 2014
Program Revenues							
Charges for services	\$ 948,072	\$ 772,281		\$ 89,036	\$ 948,072	\$ 861,317	\$ 86,755
Grants and contributions	22,965	27,320			22,965	27,320	(4,355)
General Revenues							
Property taxes	1,596,978	957,630			1,596,978	957,630	639,348
Unrestricted investment earnings	4,968	8,011		5	4,968	8,016	(3,048)
Gain on disposal	4,062				4,062		4,062
Other	68,978	69,751			68,978	69,751	(773)
Total revenues	<u>2,646,023</u>	<u>1,834,993</u>		<u>89,041</u>	<u>2,646,023</u>	<u>1,924,034</u>	<u>721,989</u>
Expenses							
Fire Protection	3,514,944	3,229,044		144,962	3,514,944	3,374,006	140,938
Total expenses	<u>3,514,944</u>	<u>3,229,044</u>		<u>144,962</u>	<u>3,514,944</u>	<u>3,374,006</u>	<u>140,938</u>
Deficiency before transfers	(868,921)	(1,394,051)		(55,921)	(868,921)	(1,449,972)	581,051
Transfers		<u>1,570,282</u>		<u>(1,570,282)</u>			
Change in net position	(868,921)	176,231		(1,626,203)	(868,921)	(1,449,972)	581,051
Net position at beginning of year	2,855,111	2,678,880		1,626,203	2,855,111	4,305,083	(1,449,972)
Net position at end of year	<u>\$ 1,986,190</u>	<u>\$ 2,855,111</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,986,190</u>	<u>\$ 2,855,111</u>	<u>\$ (868,921)</u>

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY Management's Discussion and Analysis

December 31, 2014

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. 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 government's funds have an unassigned fund balance deficit of \$1,290,847 as of December 31, 2014. This deficit is reduced by the \$1,210,412 assigned fund balance of the Capital Projects Fund resulting in a total ending fund balance deficit of \$80,435.

Cash and cash equivalents increased \$361,780 in comparison to the prior year due mostly to an increase in property taxes received near yearend. Contingency liabilities increased \$1,166,241 due to the accrual of additional potential losses.

General Fund

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 is a deficit of \$257,270. The fund balance decreased \$313,354 from the prior yearend balance due to the increase in the contingent liability. This increase in resource use was reduced by the increase in property tax receipts during the year. Other revenue sources remained consistent with the prior year, as did other expenditures in the General Fund.

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. As noted previously, the District determined that collection of this receivable is unlikely and recorded an allowance for the possible loss of \$164,922 as of December 31, 2014.

In addition to this receivable, the District has accrued a receivable of \$391,743 for property taxes, \$3,807 for plan and inspection fees, and \$49,744 for ambulance service fees collected by Wasatch County. Of these amounts the ambulance service fees will not be received within 60 days of yearend; therefore, they are not considered available for use and are recorded as a deferred inflow of resources on the balance sheet as of December 31, 2014.

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The District also recovered revenues previously written off as bad debt from Jordanelle Basin property owners for operation and maintenance of the Jordanelle Station in the amount of \$4,891.

Capital Projects Fund

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.

The Capital Projects Fund balance of \$1,210,412 is 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. In 2014, all transfers from the Capital Project Fund for operations were reimbursed by the General Fund before yearend.

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.

The assessment for the Special Revenue Fund is evaluated yearly to determine the amount needed to meet estimated operating costs, and is adjusted as deemed necessary. The assessment was increased \$114,042 from the prior year in order to meet expected operating costs for 2014.

Payroll and related benefit expenditures decreased \$58,418 in comparison with the prior year. This decrease is due to a change in the allocation of cost between funds for the full-time fire suppression personnel. Professional service expenditures decreased \$78,669 due to a decrease in litigation fees.

As noted previously, the District increased the contingent liability related to the levied assessment for the Special Revenue Fund. This increase resulted in increased expenditures of \$564,896 which caused the majority of the increase in the deficit fund balance for the Special Revenue Fund. As of December 31, 2014, the Special Revenue Fund has a deficit fund balance of \$1,033,577.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY Management's Discussion and Analysis

December 31, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget revenues and the amended budget revenues is an increase of \$59,396. The budget revenues were amended to reflect an increase in projected tax revenues of \$6,436. The amendment also includes a projected increase in plan and inspection revenue of \$16,100, and an increase in charges for other emergency services of \$8,700. The amendment also reflects \$23,000 in grant revenues received by the District in 2014.

The difference between the original budget expenditures and the amended budget expenditures is an increase of \$82,128. The budget expenditures were amended to reflect an increase in payroll and related benefit cost of \$104,328 due to the change in allocation, as noted previously. Professional services were projected to decrease \$14,100; therefore, the budget was amended for this line item. The amended budget also reflects a projected decrease in utility costs, and repair and maintenance expenditures.

The difference between the amended budget revenues and the actual revenues was an increase of \$147,774 resulting mostly from receiving \$82,678 more in property tax revenues, and \$26,620 more in plan and inspection revenues than projected. Charges for emergency services were also \$38,390 more than anticipated as of December 31, 2014.

As noted previously, the District accrued an allowance for doubtful accounts as of December 31, 2014. This resulted in a bad debt expense of \$164,922 which had not been anticipated when the amended budget was prepared. In addition, the District did not receive the increase in the contingent liability from legal counsel until after year end; therefore, the item wasn't included in the budget. This expense coupled with the bad debt expense account for the majority of actual expenditures in excess of budget of \$760,238.

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.

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.

WASATCH COUNTY FIRE PROTECTION SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY Management's Discussion and Analysis

December 31, 2014

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 Note 10 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, 2014, a final determination of the accuracy of the results has not occurred. Additional information on this contingency can also be found in Note 10 to the financial statements.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

These statements offer short and long-term financial information about the District's financial activities.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

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

December 31, 2014

With comparative totals for December 31, 2013

	2014	As Restated 2013
ASSETS		
Cash and cash equivalents	\$ 2,007,322	\$ 1,645,542
Accounts receivable, net	192,208	55,679
Due from related governmental entity, net	395,550	418,802
Capital assets		
Non-depreciable capital assets	100,000	100,000
Depreciable capital assets, net	1,911,455	2,055,261
Other assets	2,500	2,500
Total assets	4,609,035	4,277,784
LIABILITIES		
Accounts payable and accrued expenses	118,265	90,901
Accrued compensated absences	122,868	116,302
Contingency	2,381,712	1,215,470
Total liabilities	2,622,845	1,422,673
NET POSITION		
Net investment in capital assets	2,011,455	2,155,261
Net position – unrestricted (deficit)	(25,265)	699,850
Total net position	\$ 1,986,190	\$ 2,855,111

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY
Government-wide Statement of Activities

For the year ended December 31, 2014

With comparative totals for the year ended December 31, 2013

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2014	As Restated 2013
Governmental Activities						
Fire protection	\$ 3,514,944	\$ 948,072	\$ 22,965		\$ (2,543,907)	\$ (2,429,443)
Total governmental activities	<u>3,514,944</u>	<u>948,072</u>	<u>22,965</u>		<u>(2,543,907)</u>	<u>(2,429,443)</u>
Business-Type Activities						
Fire protection						(55,926)
Total business-type activities						<u>(55,926)</u>
Total government	<u>\$ 3,514,944</u>	<u>\$ 948,072</u>	<u>\$ 22,965</u>	<u>\$ -0-</u>	<u>(2,543,907)</u>	<u>(2,485,369)</u>
General Revenues						
Taxes – advalorem					1,596,978	957,630
Interest income					4,968	8,016
Gain on disposal					4,062	
Other					68,978	69,751
Total general revenues					<u>1,674,986</u>	<u>1,035,397</u>
Change in net position					(868,921)	(1,449,972)
Net position at beginning of year					2,855,111	4,305,083
Net position at end of year					<u>\$ 1,986,190</u>	<u>\$ 2,855,111</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Balance Sheet

December 31, 2014

With comparative totals for December 31, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total</u>	<u>As Restated 2013</u>
ASSETS					
Cash and cash equivalents	\$ 746,847	\$ 1,210,412	\$ 50,063	\$ 2,007,322	\$ 1,645,542
Accounts receivable, net	49,744		142,464	192,208	55,679
Due from related governmental entity, net	395,550			395,550	418,802
Total assets	<u>\$ 1,192,141</u>	<u>\$ 1,210,412</u>	<u>\$ 192,527</u>	<u>\$ 2,595,080</u>	<u>\$ 2,120,023</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 15,522		\$ 263	\$ 15,785	\$ 32,033
Payable – other governmental unit	23,833			23,833	7,191
Accrued payroll and employee benefits	17,176		29,527	46,703	35,950
Accrued liabilities	1,859		30,085	31,944	15,727
Contingencies	1,341,277		1,040,435	2,381,712	1,215,470
Total liabilities	<u>1,399,667</u>		<u>1,100,310</u>	<u>2,499,977</u>	<u>1,306,371</u>
Deferred Inflows of Resources					
Uncollected ambulance service receipts	49,744		13,374	63,118	
Uncollected assessments			112,420	112,420	44,409
Total deferred inflows of resources	<u>49,744</u>		<u>125,794</u>	<u>175,538</u>	<u>44,409</u>
Fund Balances					
Assigned for capital projects		\$ 1,210,412		1,210,412	1,205,792
Unassigned	(257,270)		(1,033,577)	(1,290,847)	(436,549)
Total fund balances (deficits)	<u>(257,270)</u>	<u>1,210,412</u>	<u>(1,033,577)</u>	<u>(80,435)</u>	<u>769,243</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,192,141</u>	<u>\$ 1,210,412</u>	<u>\$ 192,527</u>	<u>\$ 2,595,080</u>	<u>\$ 2,120,023</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY
**Reconciliation of the Balance Sheet
to the Government-wide Statement of Net Position**
December 31, 2014

Total fund balances (deficits)	\$	(80,435)
Amounts reported in the Government-wide 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 balance sheet.		2,013,955
Compensated absences are not due and payable in the current period; therefore, they are not reported in the governmental funds Balance Sheet, but are reported on the Government-wide Statement of Net Position.		(122,868)
Accounts receivable not available to pay for current period expenditures are deferred in the governmental funds balance sheets.		175,538
Net position		\$ 1,986,190

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended December 31, 2014
With comparative totals for the year ended December 31, 2013

	General	Capital Projects	Special Revenue	Total	As Restated 2013
Revenues					
Property taxes	\$ 1,596,978			\$ 1,596,978	\$ 957,630
Plans and inspections	146,620			146,620	151,511
Grants	22,965			22,965	27,320
Interest	348	\$ 4,620		4,968	8,011
Charges for services	71,090		\$ 594,342	665,432	531,952
Revenue recoveries	4,891			4,891	
Other revenues	42		68,936	68,978	69,751
Total revenues	<u>1,842,934</u>	<u>4,620</u>	<u>663,278</u>	<u>2,510,832</u>	<u>1,746,175</u>
Expenditures					
Current					
Payroll and related benefits	1,100,752		514,483	1,615,235	1,576,089
Professional services	91,935		119,210	211,145	312,039
Materials and supplies	60,818		5,633	66,451	38,815
Training and certification	9,647			9,647	4,183
Utilities	24,103			24,103	27,469
Insurance	21,030			21,030	19,554
Repairs and maintenance	85,656			85,656	103,387
Bad debt	164,922			164,922	
Legal contingency	601,675		564,896	1,166,571	1,018,156
Capital outlay					19,566
Total expenditures	<u>2,160,538</u>		<u>1,204,222</u>	<u>3,364,760</u>	<u>3,119,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(317,604)</u>	<u>4,620</u>	<u>(540,944)</u>	<u>(853,928)</u>	<u>(1,373,083)</u>
Other Financing Sources (Uses)					
Sale of capital assets	4,250			4,250	
Operating transfers in					330,164
Operating transfers out					(357,725)
Total other financing uses	<u>4,250</u>			<u>4,250</u>	<u>(27,561)</u>
Net Change in Fund Balances	<u>(313,354)</u>	<u>4,620</u>	<u>(540,944)</u>	<u>(849,678)</u>	<u>(1,400,644)</u>
Fund balances (deficits) at beginning of year as previously reported	(15,002)	1,205,792	(537,849)	652,941	2,169,887
Cummulative effect of prior period adjustments	71,086		45,216	116,302	
Fund Balances (Deficits) at Beginning of Year as Restated	<u>56,084</u>	<u>1,205,792</u>	<u>(492,633)</u>	<u>769,243</u>	<u>2,169,887</u>
Fund Balances (Deficits) at End of Year	<u>\$ (257,270)</u>	<u>\$ 1,210,412</u>	<u>\$ (1,033,577)</u>	<u>\$ (80,435)</u>	<u>\$ 769,243</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY
**Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-wide Statement of Activities**
For the year ended December 31, 2014

Net change in fund balances	\$ (849,678)
Amounts reported in the Government-wide Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities as a change in net position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(143,618)
Governmental funds report increases in current financial resources from the sale of capital assets in the amount of cash received. However, the Government-wide Statement of Activities reports only the gain on the sale of capital assets as a change in net position.	(188)
Compensated absences are reported in the Government-wide Statement of Activities, but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(6,566)
Uncollected revenues in the Government-wide Statement of Activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental fund operating statement.	131,129
Change in net position	\$ (868,921)

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, 2014

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 accounting principles generally accepted in the United States of America as prescribed by 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. The District is presented in the County's financial statements as a blended unit because they have the same governing body.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

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 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 District's business-type activities were terminated and all remaining assets and liabilities were transferred to other funds as of December 31, 2013.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

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.

Fund Balances

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.

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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Assigned Fund Balance (Continued)

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.

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 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. The Statement of Activities 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

This approach differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with a brief explanation to better identify the relationship between the government-wide statements and the governmental fund statements.

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.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Financial Position reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until that time. The District reports uncollected revenues as deferred inflows of resources only in the governmental funds Balance Sheet. These amounts are deferred and recognized as revenue in the period the amounts become available.

Accounts Receivable

When the Enterprise Fund was closed in 2013, the General Fund received a receivable due from Wasatch County in the amount of \$164,922. As of December 31, 2014, the District has accrued an allowance against future bad debt losses for this amount. See Note 3 for further information.

In 2013, the Enterprise Fund transferred accounts receivable with an offsetting allowance for the same amount to the General Fund. These receivables are for fire protection service fees charged to residents of the Jordanelle Basin. The allowance encompasses the entire balance of accounts due in response to the ongoing lawsuit related to these fees and charges. See Note 10 for further information. Each year the allowance is evaluated by management and adjusted to the level deemed necessary. As these charges are collected, the District recognizes the recovered revenues as current year revenues. As of December 31, 2014, the balance of these accounts receivable are \$2,502,424.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable *(Continued)*

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 0.84% per month, 10% per annum. Foreclosure proceedings will occur if payment is not received within 90 days.

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, 2014 in a public meeting held December 23, 2014.

Compensated Absences

The District's compensation policy permits employees to accumulated sick leave and unused vacation leave. Portions of the amounts accumulated can be expected to be redeemed at any point in time before termination of employment. 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.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only when they are due for payment in the current year. See Note 6 for additional information.

Cash and Cash Equivalents

Cash of all funds is pooled into a common interest-bearing bank account. The District defines cash and cash equivalents as all deposits in its checking accounts, and all highly liquid investments purchased with an original maturity of three months or less that are both readily convertible to known amounts of cash and so near their maturity that there is insignificant risk of value changes because of interest rate changes. See Note 2 for further information.

Transactions between Funds

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

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital Assets

Capital assets which include property, plant, and equipment, are reported in the government-wide financial statements. Donated assets are valued at their fair market value on the date received. All purchased or constructed capital assets are valued at cost where historical records are available, or at an estimated historical cost where no historical records exist. Repairs and maintenance costs are expensed as incurred; significant renewals and betterments are capitalized.

Assets having an initial, individual cost of \$5,000 or more are capitalized. Depreciation is 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 4 for additional information.

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, 2014, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at December 31, 2014 is not considered significant.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

Comparative data for the prior year is presented in the financial statements to provide an understanding of the changes in the District's financial position and results of operations. See Note 11 for information regarding changes made in 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, 2014, \$937,723 of the District's bank balances of \$1,194,220 is 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. 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. As of the year ended December 31, 2014, the District has investments of \$862,334 with the PTIF. The entire balance has a maturity of less than one year. The PTIF pool has not been rated.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the 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, 2014, \$1,210,412 is 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.

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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

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

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. During the year ended December 31, 2014, the District determined that this receivable would most likely not be collected; therefore, an allowance for doubtful accounts was recorded for \$164,922.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 is as follows:

	Ending Balance	Increases	Disposals	Ending Balance
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	<u>102,500</u>		<u>(2,500)</u>	<u>100,000</u>
Capital assets being depreciated:				
Building and improvements	1,349,071			1,349,071
Equipment	249,643		(317)	249,326
Furniture and fixtures	1,092			1,092
Land improvements	5,866			5,866
Vehicles	1,458,570		(5,000)	1,453,570
Total capital assets being depreciated	<u>3,064,242</u>		<u>(5,317)</u>	<u>3,058,925</u>
Less accumulated depreciation for:				
Building and improvements		\$ (52,613)		(52,613)
Equipment	(221,121)	(5,927)	317	(226,731)
Furniture and fixtures	(1,092)			(1,092)
Land improvements		(1,410)		(1,410)
Vehicles	(789,268)	(83,668)	7,312	(865,624)
Total accumulated depreciation	<u>(1,011,481)</u>	<u>(143,618)</u>	<u>7,629</u>	<u>(1,147,470)</u>
Net depreciable assets	<u>2,052,761</u>	<u>(143,618)</u>	<u>2,312</u>	<u>1,911,455</u>
Capital assets, net	<u>\$ 2,155,261</u>	<u>\$ (143,618)</u>	<u>\$ (188)</u>	<u>\$ 2,011,455</u>

Depreciation expense for the year ended December 31, 2014 is \$143,618 and is charged to fire protection.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 5 – 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 contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

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.

The District was required to contribute 17.29% of annual covered salary on behalf of participants in the Local Governmental Noncontributory Retirement System from the period January 2014 to June 2014, and 18.47% from the period July 2014 to December 2014.

The District was required to contribute 2.96% of annual covered salary on behalf of participants in the Firefighters Division A Retirement System from the period January 2014 to June 2014, and 3.82% from the period July 2014 to December 2014. Members in the Firefighters Division A Retirement System were required to contribute 15.05% of their salary from the period January 2014 to December 2014, all of which was paid by the District on behalf of the employee.

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%.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 5 – EMPLOYEE BENEFIT PLANS (CONTINUED)

State Retirement (Continued)

The District's contributions for the calendar year ending December 31, 2014 and the previous two calendar years are as follows:

	2014	2013	2012
Local Governmental - Noncontributory	\$ 10,520	\$ 9,291	\$ 8,315
Firefighters Division A	116,427	111,073	95,819
401(k) Plan	62,282	60,798	57,283
Total District contributions	\$ 189,229	\$ 181,162	\$ 161,417

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

Cafeteria Plan

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

NOTE 6 – COMPENSATED ABSENCES

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

Full-time fire suppression personnel of the District accrue five shifts per year at the end of the first year of service. After six full years of service, vacation leave will accrue to six shifts per year. A shift equals 24.25 hours. Fire suppression personnel may use vacation leave after a six month probationary period with the approval of the 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 6 – COMPENSATED ABSENCES (CONTINUED)

Full-time administrative personnel can accrue up to 150 days of sick leave which is accumulated at a rate of one day per month (8 hours per day). 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.

The General Fund and the Special Revenue Fund are used to liquidate accrued compensated absences. The changes in the liability are as follows:

	<u>Balance</u> <u>12/31/2013</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Due Within</u> <u>One Year</u>
Accrued compensated absences	\$ 116,302	\$ 42,666	\$ (36,100)	\$ 122,868	\$ 122,868

NOTE 7 – HAZARDOUS MATERIALS TEAM

Four of the District’s 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 8 – 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.

NOTE 9 – 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, 2014 totaled \$225,725 with \$20,522 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 \$47,215 for these services during the year ended December 31, 2014 with \$23,700 due at year end.

NOTE 10 – 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 case remains under advisement with the Utah Court of Appeals and it is anticipated that a decision will be issued in the coming months.

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% for 2013, 2.13% for 2014 and 2.27% for 2015. Each plaintiff asserted and were awarded a different amount of damages totaling \$1,247,803 with interest.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 10 – CONTINGENCIES (CONTINUED)

Enterprise Fund Service Charge (Continued)

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. However, it is likely that no matter what the Court of Appeals decides, an appeal to the Utah Supreme Court is probable.

As of December 31, 2014, \$1,341,277 has been accrued in the General Fund 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, interest, 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 fire suppression personnel housed at the Jordanelle Station.

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, 2014, a final count has not been determined. Therefore, the District has accrued \$564,896 for the assessments received in 2014 as an additional legal contingency until final determination is made. As of December 31, 2014, the total contingency is \$1,040,435.

NOTE 11 – RECLASSIFICATIONS AND PRIOR PERIOD ADJUSTMENT

Reclassification of the Special Revenue Fund Assessments and Related Contingency Expense

The comparative data as shown in the financial statements as of December 31, 2013 has been restated to reflect a change in the reporting of the contingency liability, contingency expense, assessment revenue, and related accounts receivable in the Special Revenue Fund. As originally filed, the related accounts receivable were netted against the contingent liability, and the assessment revenue was netted against the contingency expense.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 11 – RECLASSIFICATIONS AND PRIOR PERIOD ADJUSTMENT

(CONTINUED)

Reclassification of the Special Revenue Fund Assessments and Related Contingency Expense *(Continued)*

As restated, accounts receivable is reported in the amount of \$55,679, the contingency liability is increased to \$1,215,470, and deferred inflows of resources are recorded for \$44,409 to reflect the gross assets and liabilities of the Special Revenue Fund as of December 31, 2013. In addition, both charges for services and legal contingency have increased \$475,868 to reflect the amounts as separate items in the Special Revenue Fund's Statement of Revenues, Expenditures, and Changes in Fund Balance as of December 31, 2013.

These changes have no effect on either the fund balance of the Special Revenue Fund as of December 31, 2013. The \$44,409 has been added to the net position of the governmental activities in the Government-wide Statement of Activities.

Reclassification of Deferred Inflows of Resources

In calendar year 2013, the District implemented *GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Under the guidelines established in these statements, when an asset is recorded in governmental fund financial statements, but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available. Upon review of the financial statements for the Special Revenue Fund for the period ended December 31, 2013, the District determined that there were \$44,409 of uncollected assessments as of that date that would not be available for use within 60 days following the end of the year.

As noted above, when the revenues and expenditures were grossed up to reflect the assessments and the related legal contingency as separate items for the year ended December, 31, 2013, the assessment revenues were reduced by the deferred inflows of resources. The contingency expense was also reduced by this same amount to reflect the decrease in the contingent liability for revenues not yet received.

These changes have no effect on either the fund balance of the Special Revenue Fund or the net position of the District in the Government-wide Statement of Activities as of December 31, 2013.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

December 31, 2014

NOTE 11 – RECLASSIFICATIONS AND PRIOR PERIOD ADJUSTMENT

(CONTINUED)

Removal of Compensated Absences from Governmental Fund Financial Statements

The District discovered that compensated absences deemed to be long-term liabilities had been reported in the governmental fund financial statements in prior periods in error. Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Long-term liabilities do not require the use of current financial resources; therefore, they are not reported in fund statements following these guidelines.

To correct for this error, the District has removed the liability from the governmental fund financial statements by adjusting all periods affected. This change has no effect on the net position of the District in the Government-wide Statement of Activities for any period affected.

The changes in net position resulting from these prior period adjustments are as follows:

	General Fund	Special Revenue Fund
December 31, 2013		
Fund balance (deficit), as previously reported	\$ (15,002)	\$ (537,849)
Reclassification of compensated absences	71,086	45,216
Fund balance (deficit), as restated	\$ 56,084	\$ (492,633)

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through June 11, 2015, 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY
**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund**
For the year ended December 31, 2014
With comparative totals for the year ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance	As Restated 2013 Actual
Revenues					
Property taxes	\$ 1,507,864	\$ 1,514,300	\$ 1,596,978	\$ 82,678	\$ 957,630
Plans and inspections	103,900	120,000	146,620	26,620	151,511
Grants		23,000	22,965	(35)	27,320
Interest		360	348	(12)	429
Charges for services	24,000	32,700	71,090	38,390	33,390
Revenue recoveries		4,800	4,891	91	
Other			42	42	
Total revenues	<u>1,635,764</u>	<u>1,695,160</u>	<u>1,842,934</u>	<u>147,774</u>	<u>1,170,280</u>
Expenditures					
Current					
Payroll and related benefits	1,013,972	1,118,300	1,100,752	17,548	1,003,187
Professional services	95,500	81,400	91,935	(10,535)	114,160
Materials and supplies	67,000	66,300	60,818	5,482	33,614
Training and certification	3,300	9,700	9,647	53	3,593
Utilities	33,400	24,700	24,103	597	19,759
Insurance	20,000	21,700	21,030	670	19,554
Repairs and maintenance	85,000	78,200	85,656	(7,456)	102,590
Bad debt			164,922	(164,922)	
Legal contingency			601,675	(601,675)	542,288
Capital outlay					19,566
Total expenditures	<u>1,318,172</u>	<u>1,400,300</u>	<u>2,160,538</u>	<u>(760,238)</u>	<u>1,858,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>317,592</u>	<u>294,860</u>	<u>(317,604)</u>	<u>(612,464)</u>	<u>(688,031)</u>
Other Financing Sources (Uses)					
Sale of capital assets		4,200	4,250	50	
Operating transfers in					130,164
Operating transfers out	(300,000)				(57,725)
Total other financing sources (uses)	<u>(300,000)</u>	<u>4,200</u>	<u>4,250</u>	<u>50</u>	<u>72,439</u>
Net Change in Fund Balance	17,592	299,060	(313,354)	<u>\$ (612,414)</u>	(615,592)
Fund balance (deficit) at beginning of year as previously reported	(15,002)	(15,002)	(15,002)		671,676
Cumulative effect of prior period adjustments	71,086	71,086	71,086		
Fund Balance at Beginning of Year as Restated	<u>56,084</u>	<u>56,084</u>	<u>56,084</u>		<u>671,676</u>
Fund Balance (Deficit) at End of Year	<u>\$ 73,676</u>	<u>\$ 355,144</u>	<u>\$ (257,270)</u>		<u>\$ 56,084</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Special Revenue Fund
For the year ended December 31, 2014
With comparative totals for the year ended December 31, 2013

	Original Budget	Amended Budget	Actual	Variance	As Restated 2013 Actual
Revenues					
Charges for services	\$ 690,900	\$ 643,945	\$ 594,342	(49,603)	\$ 498,562
Other	68,800	69,000	68,936	(64)	69,751
Total revenues	<u>759,700</u>	<u>712,945</u>	<u>663,278</u>	<u>(49,667)</u>	<u>568,313</u>
Expenditures					
Current					
Payroll and related benefits	526,701	516,300	514,483	1,817	572,901
Professional services	125,500	130,600	119,210	11,390	197,879
Materials and supplies	7,000	8,000	5,633	2,367	5,201
Training and certification					590
Utilities					7,710
Repairs and maintenance		400		400	797
Legal contingency			564,896	(564,896)	475,868
Total expenditures	<u>659,201</u>	<u>655,300</u>	<u>1,204,222</u>	<u>(548,922)</u>	<u>1,260,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,499</u>	<u>57,645</u>	<u>(540,944)</u>	<u>(598,589)</u>	<u>(692,633)</u>
Other Financing Sources					
Operating transfers in					200,000
Total other financing sources					<u>200,000</u>
Net Change in Fund Balance	100,499	57,645	(540,944)	<u>\$ (598,589)</u>	(492,633)
Fund balance (deficit) at beginning of year as previously reported	(537,849)	(537,849)	(537,849)		
Cummulative effect of prior period adjustments	45,216	45,216	45,216		
Fund Balance (Deficit) at Beginning of Year as Restated	<u>(492,633)</u>	<u>(492,633)</u>	<u>(492,633)</u>		
Fund Balance (Deficit) at End of Year	<u>\$ (392,134)</u>	<u>\$ (434,988)</u>	<u>\$ (1,033,577)</u>		<u>\$ (492,633)</u>

ADDITIONAL AUDITORS' REPORTS AND SCHEDULES

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



**INDEPENDENT AUDITORS' 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 financial statements of the governmental activities, and the major funds of Wasatch County Fire Protection Special Service District (District), a component unit of Wasatch County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 11, 2015.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be a material weakness.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations to be a material weakness (2014-1).

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Recommendations as items 2014-2 through 2014-6.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
CERTIFIED PUBLIC ACCOUNTANTS

June 11, 2015



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE* ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE

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 applicable general state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the District for the year ended December 31, 2014.

General state compliance requirements were tested for the year ended December 31, 2014 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Government Records Access Management Act (GRAMA)
- Open and Public Meetings
- Budget Notice and Format

The District did not have any state funding classified as a major program during the year ended December 31, 2014.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the compliance requirements referred to above. 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 Compliance Audit Guide. Those standards and the State 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 direct and material effect on the District or its major state

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 on compliance with general state compliance requirements. However, our audit does not provide a legal determination of the District's compliance.

Opinion on General State Compliance Requirements

In our opinion, Wasatch County Fire Protection Special Service District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying Schedule of Findings and Recommendations as items 2014-2 through 2014-6. Our opinion on compliance is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 of compliance, we considered the District's internal control over compliance with the compliance requirements that could have a direct and material effect on the District to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement 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 general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the State Compliance Audit Guide. Accordingly, this report is not suitable for any other purpose.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
CERTIFIED PUBLIC ACCOUNTANTS

June 11, 2015

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Schedule of Findings and Recommendations

December 31, 2014

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Wasatch Country Fire Protection Special Service District.
2. There is one material weakness in internal control relating to the audit of the financial statements as reported in the Independent Auditors' 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*.
3. There were four instances of noncompliance with general state compliance requirement noted during the audit.

B. CURRENT YEAR FINDINGS

2014-1. Misstatements in the Financial Statements – *Material Weakness*

Finding:

During our audit, we noted that a new accounting standard relating to accounts receivable, deferred inflow of resources, and revenue had not been implemented. This caused the financial statements to be material misstated in the following areas: General Fund: Deferred inflow of resources and accounts receivable was understated by approximately \$50,000 due to accounting for ambulance billings based on cash basis of accounting instead of modified accrual basis accounting. Special Revenue Fund: Deferred inflow of resources and accounts receivable was understated by approximately \$125,000 due to accounting for ambulance billings and assessment revenue based on cash basis of accounting instead of modified accrual basis accounting. The District recorded the required entries to be in compliance with the new accounting standard.

Recommendation:

We recommend that the District implement internal control procedures to properly account for ambulance receivables, deferred inflow of resources and assessment revenue in accordance with modified accrual accounting instead of cash basis accounting.

District's Response:

Wasatch County retains the responsibility for billing and collection for ambulance services. We have made many unsuccessful attempts to obtain substantiated documentation of actual billings to or receipts from insurance companies. Therefore, a reasonable estimate of the receivables due as of December 31, 2014 could not be determined until checks were actually received late into the following year from Wasatch County. To alleviate this problem in the future, we have entered into an agreement with Wasatch County to be paid a set fee per month for these services. We will continue to account for receivables, deferred inflows of resources, and revenues in accordance with the modified accrual basis of accounting.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY
Schedule of Findings and Recommendations (Continued)
December 31, 2014

B. CURRENT YEAR FINDINGS (*CONTINUED*)

2014-2 Expenditures in Excess of Budget – *State Compliance*

Finding:

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. A similar finding was noted in the prior year.

Recommendation:

We recommend that the District closely monitor expenditures in the funds to ensure the District is in compliance with Utah State Code.

District's Response

The current year budget overages were due primarily from lawsuit contingencies. We are currently party to separate litigations which require accrual of contingent liabilities in both the General Fund and the Special Revenue Fund. Any change in the contingency amount for the General Fund requires direction and calculation from our legal counsel. This estimate was not received prior to the budget completion process. In the future, we will work with our legal counsel to update any projected liabilities prior to amending the budget.

A final hearing on the litigation in the Special Revenue Fund was set to occur immediately following yearend. We chose not to budget for an additional contingency amount due to the expectation of a favorable outcome. However, due to circumstances beyond the control of both the District and the judge, the hearing had to be postponed. We then chose to be conservative and record the additional contingency. This resulted in the excess expenditures.

We understand the importance of preparing an accurate budget and maintaining the integrity of that budget, and we will continue to dedicated time and expertise to do so.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY
Schedule of Findings and Recommendations (Continued)
December 31, 2014

B. CURRENT YEAR FINDINGS (*CONTINUED*)

2014-3 Deficit Fund Balance – *State Compliance*

Finding:

Utah Code, Section 17B-1-613, states that the District must maintain a positive fund balance for all funds at year end. The District's General Fund and Special Revenue Fund had deficit fund balances' for the year ended December 31, 2014. A similar finding was noted in the prior year.

Recommendation:

We recommend that the District closely monitor fund balance to ensure the District is in compliance with Utah State Code.

District's Response:

We strive to maintain fund balances according to the Utah State Code. The accrual of contingent liabilities noted previously have resulted in the deficit fund balances in the General Fund and the Special Revenue Fund. Resources received in this next year will be used to resolve the deficit balance in the General Fund. The expected favorable resolution to the litigation in the Special Revenue Fund will resolve the deficit balance in the Special Revenue Fund.

2014-4 Posting of Minutes on Utah Public Notice Website - *State Compliance*

Finding:

Utah code, Section 52-4-203(4)(e), states that open and public meetings minutes, of the board, should be posted to the Utah Public Notice Website within three days after the meetings have been approved. The District did not post the open and public meeting minutes of the board within three business days after approval to the Utah Public Notice Website. The minutes have been available to the public on the District's website once they have been approved. This is the initial year of testing for this procedure.

Recommendation:

We recommend the District post all open and public meeting minutes to the Utah Public Notice Website within three business days after the minutes have been approved.

District's Response:

We recognize the District's meeting minutes have not always been posted on the Utah Public Notice Website within the required 3 business days. We will make the changes necessary to ensure this requirement is met in the future.

**WASATCH COUNTY FIRE PROTECTION
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B. CURRENT YEAR STATUS OF PRIOR YEAR FINDINGS

2014-5 annual online training for GRAMA – *State Compliance*

Finding:

During our audit the records officer could not provide documentation of her annual online training provided by State Archives on the requirements of GRAMA. This is the initial year of testing for this procedure.

Recommendation:

We recommend the District obtain and retain all certificates to substantiate the required annual GRAMA training has been completed.

District's Response:

Our records officer has attended the annual training at the State Archives office each year. Although our records officer has the training manual, the actual certificate for the training attended in 2014 could not be found and a duplicate could not be provided by the State Archives office. In the future, our records officer will ensure the certificate is kept with the training manual in order to substantiate completion of the annual training.

C. CURRENT YEAR STATUS OF PRIOR YEAR FINDINGS

2013-1 Expenditures in Excess of Budget - *State Compliance*

Finding:

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.

Current Status:

This finding has not been corrected. See finding 2014-2.

2013-2 Deficit Fund Balance - *State Compliance*

Finding:

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.

Current Status:

This finding has not been corrected. See finding 2014-3.