

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

Financial Statements

For the year ended December 31, 2017

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

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Independent Auditor's Report

The Board of Directors of
Wasatch County Fire District
(a Component Unit of Wasatch County)
Heber City, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Wasatch County Fire District (the District), a component unit of Wasatch County, as of and for the year ended December 31, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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 the District as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 16, budgetary comparison information on pages 51 and 52, the Schedule of the District's Proportionate Share of the Net Pension Liability (Asset) on page 53, the Schedule of the District Contributions on pages 54 to 55 and the notes to the required supplementary information on page 56, 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.

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 5, 2018 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That reports 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.



Salt Lake City, Utah
June 5, 2018

**WASATCH COUNTY FIRE PROTECTION
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Management's Discussion and Analysis

For the year ended December 31, 2017

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, 2017. Please read it in conjunction with the District's financial statements and additional information that we have furnished with the Independent Auditor's 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 statutes of the State 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 \$3,856,790 (net position). Of this amount \$2,549,679 is invested in capital assets, and \$9,407 is restricted for pensions, leaving a balance of \$1,297,704 (net position – unrestricted) that may be used to meet the District's ongoing obligations to citizens and creditors.

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- In the General Fund, revenues exceed expenses by \$677,405. This excess is due mostly to the settlement, discussed below, resulting in a recognized gain of \$571,885. At the close of the fiscal year, the unassigned fund balance of the General Fund is \$2,087,987. State of Utah statutes allow a maximum unassigned fund balance of 100% of the current year's property tax of \$2,157,754.
- The lawsuit regarding the fire protection service fees charged in the Jordanelle Basin was settled in October 2017. In July 2015, the Utah Court of Appeals ruled in the District's favor regarding their right to charge the monthly fee, but upheld the District Court's ruling regarding the refund of the lump sum fee. In February 2016, the Utah Supreme Court denied to hear an appeal of this verdict and the case went back to the District Court to be recalculated. The estimated potential loss was \$911,385 as of December 31, 2016; however, the actual settlement awarded was \$339,500 resulting in the recognized gain, as noted previously.
- The District has an agreement with Wasatch County to be paid a flat fee for emergency medical services instead of Wasatch County passing through revenues from the insurance providers billed. The District received \$536,204 during the year ended December 31, 2017 for these services.
- The validity of the assessment for the Special Revenue Fund is currently under litigation. Therefore, the District accrued a contingent liability of \$559,341 for the amount of assessment payments and interest received during the year. These activities in conjunction with the related legal cost have resulted in a deficit fund balance of \$2,152,526 in the Special Revenue Fund as of December 31, 2017. The final assessment for the Special Revenue Fund was levied in 2017.
- On December 12, 2017, the District passed a tax levy increase that will take effect in 2018. The increase is needed to cover the deficit in operating revenues resulting from the discontinuation of the assessment in the Special Revenue Fund, to finance apparatus purchases, and to staff and equip another full-time fire station in Midway.
- In January 2017, the District placed an order with Pierce Manufacturing for a new ladder truck in the amount of \$853,150. The ladder truck was received in December 2017, and

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will be placed in service in 2018 once personnel have been trained on the ladder truck equipment.

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. Comparative data is presented to allow comparison to the prior calendar year.

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected assessments and earned but unused vacation leave.)

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.

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

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governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are *governmental funds*.

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

Because the focus of 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 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.

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Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. In addition to the budgetary comparison statements, the required supplementary information includes 10-year schedules containing the net pension liability (asset) and certain related ratios, and information about statutorily required contributions to the pension plans and related ratios. 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 auditor's reports.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Current Assets

Unrestricted cash and cash equivalents decreased \$34,790 from the prior year due in part to the settlement payment. Restricted cash funded \$286,798 of the required payment, and the remaining \$52,702 was paid using unrestricted cash. Accounts receivable increased \$22,204 from the prior year due in part to assessments increasing with the rise in property values in the area. Receivables due from related and other governmental entities increased \$109,200 due in part to the accrual of fees for December inspections, and the accrual of the reimbursement for the Fire Warden shared costs. These changes account for the increase in current assets of \$96,614.

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, 2017, the District's capital assets total \$4,091,742. Accumulated depreciation equals \$1,542,063 and depreciation expense for the year is \$142,967.

The District purchased a new ladder truck for \$853,150 and replaced pumps on two other fire engines. Additional information on the District's capital assets can be found in Note 4 to the financial statements.

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At the close of the most recent calendar year, the District's total assets and deferred outflows of resources are \$6,905,495; total liabilities and deferred inflows of resources are \$3,048,705; and net position is \$3,856,790, as shown in the following summary statement.

Government-wide Statement of Net Position

December 31, 2017

With comparative totals as of December 31, 2016

	2017	2016	Increase (Decrease) 2016 to 2017
Assets and Deferred Outflows of Resources			
Current assets	\$ 3,967,271	\$ 3,870,657	\$ 96,614
Other noncurrent assets	34,172	332,362	(298,190)
Capital assets, net	2,549,679	1,812,650	737,029
Deferred outflows of resources	354,373	286,371	68,002
Total assets and deferred outflows	\$ 6,905,495	\$ 6,302,040	\$ 603,455
 Liabilities and Deferred Inflows of Resources			
Current liabilities	\$ 213,456	\$ 155,349	\$ 58,107
Long-term liabilities	2,674,477	2,999,698	(325,221)
Deferred inflows of resources	160,772	129,433	31,339
Total liabilities and deferred inflows of resources	\$ 3,048,705	\$ 3,284,480	\$ (235,775)
 Net Position			
Net investment in capital assets	\$ 2,549,679	\$ 1,812,650	\$ 737,029
Net position – restricted for pensions	9,407	264,405	(254,998)
Net position – unrestricted	1,297,704	940,505	357,199
Total net position	\$ 3,856,790	\$ 3,017,560	\$ 839,230

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Long-term Liabilities

At the end of the year, the District had no debt outstanding. The District's long-term liabilities are comprised of accrued compensated absences, legal contingencies, and the net pension liability. Accrued compensated absences do not require the use of current financial resources. Therefore, they are not reported in the governmental fund financial statements, but are reported in the government-wide statement of net position. As of December 31, 2017, the District has accrued compensated absences in the amount of \$230,731, which is a \$14,830 increase from the prior year. Additional information on the District's accrued compensated absences can be found in Note 7 to the financial statements.

Changes in the estimated contingencies account for \$352,044 of the decrease in long-term liabilities as of December 31, 2017. In the General Fund, the contingency was related to a lawsuit brought against the District regarding fees charged for fire protection services within the Jordanelle Basin. As noted previously, a settlement in the amount of \$339,500 was reached in 2017. The previously calculated potential loss estimate of \$911,385 was removed from long-term liabilities and a settlement gain of \$571,885 was recognized for the year ended December 31, 2017.

The reduction of the General Fund contingency was offset by an increase in the Special Revenue Fund contingency of \$559,341. The remaining contingency balance of \$2,394,724 equals the total receipts of assessments and delinquent interest that have been paid to the District by property owners within the designated assessment area in the Special Revenue Fund. This lawsuit was brought against the District on the grounds that the assessment area was unlawfully created. A ruling has not been given on this case.

Additional information on the District's contingencies can be found in Note 9 to the financial statements.

Deferred Outflows and Deferred Inflows of Resources

The District is required to recognize an asset/liability in its government-wide financial statements for its proportionate share of the net pension asset/liability of all employers for benefits provided through pension plans administered by Utah Retirement Systems. The District is also required in its government-wide financial statements to recognize pension expense and deferred outflows/inflows of resources for its proportionate share of those collective amounts. The governmental fund financial statements are not affected by these requirements.

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As of December 31, 2017, the District reduced the net pension asset by \$27,209 to a balance of \$21,672. The deferred outflow of resources related to pensions increased \$68,002 from the prior year. The District's net pension liability increased \$11,993 to a balance of \$49,022, and the deferred inflow of resources related to pensions increased \$31,339 as of December 31, 2017. Additional information on the District's deferred outflows and deferred inflows of resources related to pensions can be found in Note 5 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 three categories: *net investment in capital assets*, *net position – restricted*, 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 investment in capital assets has a balance of \$2,549,679 for the year ended December 31, 2017. These assets consist of fire suppression and other emergency vehicles, equipment, and buildings used to provide services within Wasatch County. For the year ended December 31, 2017, net investment in capital assets increased \$737,029 from the previous year. This change is due to the purchase of new assets totaling \$879,996 being reduced by the increase in accumulated depreciation of \$142,967, as discussed previously.

Net position – restricted represents resources that are subject to external restrictions on how they may be used and cannot be used to meet the District's ongoing obligations to citizens and creditors. The District has resources of \$9,407 restricted for pensions once the net pension asset is adjusted for the related deferred outflows and inflows of resources.

Net position – unrestricted are the remaining assets. These assets are not subject to external restrictions on how they may be used. The District reported an increase of \$357,199 in unrestricted net assets as of December 31, 2017 leaving the District with an unrestricted net position ending balance of \$1,297,704. This increase is due mostly to the change in contingent liabilities and the recognized settlement gain, as discussed previously.

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Statement of Activities

While the Statement of Net Position shows the change in financial position of net assets, the Statement of Activities provides answers to the nature and sources of those changes. As of December 31, 2017, revenues exceeded expenses resulting in an increase in net position of \$839,230, as shown in the following summary statement:

Government-wide Statement of Activities

For the year ended December 31, 2017

With comparative totals for the year ended December 31, 2016

	2017	2016	Increase (Decrease) 2016 to 2017
Program Revenues			
Charges for services	\$ 1,456,424	\$ 1,319,448	\$ 136,976
Grants and contributions		48,557	(48,557)
General Revenues			
Property taxes	2,157,754	1,987,649	170,105
Settlement gain	571,885		571,885
Other	107,111	132,684	(25,573)
Total revenues	4,293,174	3,488,338	804,836
Expenses			
Fire Protection	3,453,944	3,078,548	375,396
Total expenses	3,453,944	3,078,548	375,396
Change in net position	839,230	409,790	429,440
Net position at beginning of year	3,017,560	2,607,770	409,790
Net position at end of year	\$ 3,856,790	\$ 3,017,560	\$ 839,230

Charges for services consist of plan review and inspection fees; charges for fire suppression services and other related emergency services; and penalties and interest charged on past due accounts. Charges for services increased \$136,976. This increase is mostly attributable to the flat

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Management's Discussion and Analysis

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fee the District is now receiving from Wasatch County for emergency medical services, as discussed previously in the "Financial Highlights" section of this report.

The District receives revenues from taxes collected by Wasatch County. The tax mill levy decreased to .000399 for 2017 from .000429 for 2016. However, the tax base increased due to growth in the area, resulting in an increase in total property tax receipts of \$170,105. 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 \$375,396 in comparison to the prior year. Of this amount, \$266,512 is attributable to an increase in payroll and related benefits as of December 31, 2017. A cost-of-living increase in wages, an increase in health insurance costs, and changes in required retirement contributions account for the majority of this change. Changes in contingency estimates increased expenditures by \$129,338 from the prior year's expense.

These increases in expenditures were reduced, in part, with savings in professional services of \$83,404, the majority of which was a decrease in legal fees.

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 \$64,539 as of December 31, 2017, which is a \$177,311 improvement from the prior year. This deficit is reduced by the \$1,236,054 assigned fund balance of the Capital Projects Fund resulting in a total ending fund balance of \$1,171,515.

Unrestricted cash and cash equivalents decreased \$34,790 and restricted cash decreased \$270,981 in comparison to the prior year due mostly to settlement payment, as discussed previously. As of

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December 31, 2017, the District has restricted cash of \$10,000 comprised of deposits from property owners. Overall, contingency liabilities decreased \$352,044. The changes causing this decrease are discussed previously in the "Long-term Liability" section of this report.

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 \$2,087,987. This is a \$677,405 increase from the prior year's ending fund balance.

Expenditures in the General Fund increased \$869,326 from the previous year due mostly to the purchases of the new ladder truck, as discussed previously. Revenues increased \$905,943 from the previous year due mostly to recognition of the settlement gain, as discussed previously, and the receipt of \$105,467 for emergency medical services which were recognized as deferred inflows of resources in the prior year.

The District has accrued a receivable from Wasatch County consisting of \$414,709 for property taxes, \$25,647 for fire inspection fees, \$107,719 for emergency medical services, and \$37,000 shared employment costs for the Fire Warden. The District has also accrued receivables from the State of Utah for the shared employment costs for the Fire Warden in the amount of \$56,612, reimbursement of costs for wildland fire suppression services in the amount of \$5,701, and a refund of sales tax in the amount of \$50. Of these amounts the Fire Warden reimbursements will not be received within 60 days of the end of the year; 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, 2017.

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 \$1,236,054 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 Projects Fund, as necessary, to be used for operations. In 2017, no transfers were made from the Capital Projects Fund to other funds of the District.

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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 rate of \$0.29 per \$1,000 of assessed market value was a \$0.04 increase from the prior year. This change and the rise in property values within the assessment area resulted in an increase in the amount billed.

The \$137,926 increase in the annual assessments received by December 31, 2017 resulted in a related increase in legal contingency expenses for the same amount. The expense is recorded for the amount of assessments and related interest collected during the year. The higher the assessments received, the higher the expense will be. A cost-of-living increase in wages, an increase in health insurance costs, and changes in required retirement contributions account for the \$121,551 increase in payroll and related benefits from the prior year. Professional service expenditures decreased \$21,760 due to a decrease in legal fees and consulting fees specific to the assessment.

Consistent with prior years, the legal contingency expense caused the increase in the deficit fund balance for the Special Revenue Fund. As of December 31, 2017, the Special Revenue Fund has a deficit fund balance of \$2,152,526.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the original budget revenues and the amended budget revenues is an increase of \$596,200. The budgeted revenues were amended to reflect an increase in projected charges for plan review and inspection fees of \$23,000. Projected wildland fire suppression services were increased \$2,400, and projected emergency medical service reimbursements were increased \$12,000. The amendment also included an increase in interest revenue of \$7,400, and the addition of the projected settlement gain of \$551,400.

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The difference between the amended budget revenues and the actual revenues was an increase of \$478,007 resulting mostly from receiving \$247,154 more in property tax revenues, \$117,204 more for emergency medical services, and \$96,155 more in plan review and inspection fees than projected. No Fire Warden shared employment cost reimbursements were received before the end of the year resulting in \$32,000 less in charges for services than projected. As noted previously, the payments for the Fire Warden from Wasatch County and the State of Utah were not received within 60 days of the end of the year; therefore, the invoices were removed from revenue and reported as a deferred inflow of resources as of December 31, 2017.

The difference between the original budget expenditures and the amended budget expenditures is an increase of \$66,900. The budget for payroll and related benefits was decreased \$17,800 mostly due to a change in the projected health insurance benefit costs. Due to the settlement, the District decreased the projected legal service fees by \$49,800, and removed the \$50,000 budgeted for a contingency expense. Another significant change was the increase of \$207,900 in the amended budget for apparatus replacement to cover the cost of the new ladder truck.

Budget appropriations exceeded actual costs by \$43,498. Payroll and related benefit costs were slightly lower than expected accounting for the majority of this savings.

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

Growth within the boundaries of the District is increasing rapidly. One of District's top priorities is to improve response capability by identifying the critical needs of fire suppression and emergency medical services within Wasatch County. In 2018, the District included in the budget a one-time allowance to hire consultants to conduct a needs assessment and impact fee study for the District. The study will begin in January 2018, with anticipated completion by June 2018.

Once the needs assessment is completed, the District will hire a second consultant to produce the funding analysis and impact fee study. The overarching goal is to help Wasatch County planners

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Management's Discussion and Analysis

For the year ended December 31, 2017

look far into the future to find the best solutions to fund fire suppression and emergency medical services within Wasatch County.

In response to the increased growth in the area, the District will be opening another full-time fire station in Midway. The District anticipates hiring five new full-time fire suppression personnel, and three new volunteers. In order to staff, equip, and fund apparatus purchases for this additional full-time station, the District passed a tax levy increase that will take effect in 2018. The increase is also needed to cover the deficit in operating revenues resulting from the discontinuation of the assessment in the Special Revenue Fund.

REQUESTS FOR INFORMATION

This 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, 2017

With comparative totals for December 31, 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 3,139,063	\$ 3,173,853
Accounts receivable, net	180,770	158,566
Due from related and other governmental entities, net	647,438	538,238
Restricted cash and cash equivalents	10,000	280,981
Net pension asset	21,672	48,881
Capital assets		
Non-depreciable capital assets	953,150	100,000
Depreciable capital assets, net	1,596,529	1,712,650
Other assets	2,500	2,500
Total assets	6,551,122	6,015,669
 DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	354,373	286,371
 LIABILITIES		
Accounts payable and accrued expenses	203,456	155,349
Other liabilities	10,000	
Accrued compensated absences	230,731	215,901
Contingency	2,394,724	2,746,768
Net pension liability	49,022	37,029
Total liabilities	2,887,933	3,155,047
 DEFERRED INFLOWS OF RESOURCES		
Related to pensions	160,772	129,433
 NET POSITION		
Net investment in capital assets	2,549,679	1,812,650
Net position – restricted for pensions	9,407	264,405
Net position – unrestricted	1,297,704	940,505
Total net position	\$ 3,856,790	\$ 3,017,560

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
A COMPONENT UNIT OF WASATCH COUNTY
Government-wide Statement of Activities
For the year ended December 31, 2017
With comparative totals for the year ended December 31, 2016

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	2017	2016
Governmental Activities						
Fire protection	\$ 3,453,944	\$ 1,456,424			\$ (1,997,520)	\$ (1,710,543)
Total government	<u>\$ 3,453,944</u>	<u>\$ 1,456,424</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(1,997,520)</u>	<u>(1,710,543)</u>
General Revenues						
Taxes – advalorem					2,157,754	1,987,649
Interest income					29,598	18,000
Gain on disposal of capital asset						27,850
Other					649,398	86,834
Total general revenues					<u>2,836,750</u>	<u>2,120,333</u>
Change in net position					839,230	409,790
Net position at beginning of year					<u>3,017,560</u>	<u>2,607,770</u>
Net position at end of year					<u>\$ 3,856,790</u>	<u>\$ 3,017,560</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Balance Sheet

December 31, 2017

With comparative totals for December 31, 2016

	General	Capital Projects	Special Revenue	2017 Total	2016
ASSETS					
Cash and cash equivalents	\$ 1,686,175	\$ 1,236,054	\$ 216,834	\$ 3,139,063	\$ 3,173,853
Accounts receivable, net	7,490		173,280	180,770	158,566
Due from related and other governmental entities, net	647,438			647,438	538,238
Restricted cash	10,000			10,000	280,981
Total assets	\$ 2,351,103	\$ 1,236,054	\$ 390,114	\$ 3,977,271	\$ 4,151,638
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 25,993		\$ 27,153	\$ 53,146	\$ 21,820
Payable – other governmental unit	10,035			10,035	7,810
Accrued payroll and employee benefits	93,036		11,625	104,661	90,514
Accrued liabilities	30,439		5,175	35,614	35,205
Other liabilities	10,000			10,000	
Contingencies			2,394,724	2,394,724	2,746,768
Total liabilities	169,503	\$ -0-	2,438,677	2,608,180	2,902,117
Deferred Inflows of Resources					
Unavailable use taxes					2,780
Unavailable assessments			103,963	103,963	150,977
Unavailable fire service receipts	93,613			93,613	113,818
Total deferred inflows of resources	93,613	-0-	103,963	197,576	267,575
Fund Balances (Deficits)					
Assigned for capital projects		1,236,054		1,236,054	1,223,796
Unassigned	2,087,987		(2,152,526)	(64,539)	(241,850)
Total fund balances (deficits)	2,087,987	1,236,054	(2,152,526)	1,171,515	981,946
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,351,103	\$ 1,236,054	\$ 390,114	\$ 3,977,271	\$ 4,151,638

**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, 2017

Total fund balances		\$ 1,171,515
Amounts reported in the Government-wide Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds Balance Sheet.		
Capital assets cost	\$ 4,091,742	
Net of accumulated depreciation	<u>(1,542,063)</u>	2,549,679
Other assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds Balance Sheet.		
		2,500
Compensated absences are not due and payable in the current period; therefore, they are not reported in the governmental funds Balance Sheet.		
		(230,731)
Net pension assets and deferred outflows of resources related to pensions are not available financial resources and are not reported in the governmental funds Balance Sheet.		
		376,045
Accounts receivable not available to pay for current period expenditures are deferred in the governmental funds Balance Sheet.		
		197,576
Net pension liabilities and deferred inflows of resources related to pensions do not require current financial resources and are not reported in the governmental funds Balance Sheet.		
		(209,794)
Net position		<u><u>\$ 3,856,790</u></u>

**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, 2017
With comparative totals for the year ended December 31, 2016

	General	Capital Projects	Special Revenue	2017 Total	2016
Revenues					
Property taxes	\$ 2,157,754			\$ 2,157,754	\$ 1,987,649
Plans and inspections	269,802			269,802	210,817
Grants					48,557
Interest	17,340	\$ 12,258		29,598	18,000
Charges for services	547,277		\$ 709,344	1,256,621	963,432
Revenue recoveries					24
Settlement gain	571,885			571,885	
Other revenues	4,049		73,464	77,513	86,834
Total revenues	<u>3,568,107</u>	<u>12,258</u>	<u>782,808</u>	<u>4,363,173</u>	<u>3,315,313</u>
Expenditures					
Current					
Payroll and related benefits	1,641,673		678,888	2,320,561	2,117,570
Professional services	109,502		44,673	154,175	237,579
Materials and supplies	100,373			100,373	60,610
Training and certification	13,153			13,153	9,307
Utilities	39,612			39,612	28,951
Insurance	24,264			24,264	24,423
Repairs and maintenance	82,129			82,129	76,837
Legal contingency			559,341	559,341	430,003
Capital outlay	879,996			879,996	81,281
Total expenditures	<u>2,890,702</u>	<u>-0-</u>	<u>1,282,902</u>	<u>4,173,604</u>	<u>3,066,561</u>
Excess (deficiency) of revenues over expenditures	<u>677,405</u>	<u>12,258</u>	<u>(500,094)</u>	<u>189,569</u>	<u>248,752</u>
Other Financing Sources					
Sale of capital assets					27,850
Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>27,850</u>
Net Change in Fund Balances	677,405	12,258	(500,094)	189,569	276,602
Fund Balances (Deficits) at Beginning of Year	<u>1,410,582</u>	<u>1,223,796</u>	<u>(1,652,432)</u>	<u>981,946</u>	<u>705,344</u>
Fund Balances (Deficits) at End of Year	<u>\$ 2,087,987</u>	<u>\$ 1,236,054</u>	<u>\$ (2,152,526)</u>	<u>\$ 1,171,515</u>	<u>\$ 981,946</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, 2017

Total net change in fund balances	\$ 189,569
Amounts reported in the Government-wide Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciable expense. This is the amount of capital assets recorded in the current period.	879,996
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.	(142,967)
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.	(14,830)
Deferred inflows of resources now available as revenues in the governmental fund operating statement were included in the Government-wide Statement of Activities in the year they provided a current financial resource.	(69,999)
Some pension related expenses 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.	(2,539)
Change in net position	\$ 839,230

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

For the year ended December 31, 2017

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 the Governmental Accounting Standards Board (GASB) pronouncements. 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 (the County) council. Due to the oversight of the County, the District has been determined to be a component unit of Wasatch County for financial accounting purposes under the guidelines established by GASB Statement No. 61, and is presented as a discrete unit in the County's financial statements.

No 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 any interfund activity within the governmental columns is 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 has no business-type activities.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

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

For the year ended December 31, 2017

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: 1) not in spendable form; or 2) 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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Assigned Fund Balance (Continued)

Intent is expressed by: 1) the Wasatch County council; or 2) a body (a special committee or the Fire Chief) to which the governing body has delegated the authority to assign amounts. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance

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

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

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.

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.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting (Continued)

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's end to be available.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2017:

- Utah Public Treasurers' Investment Fund (PTIF) position of \$3,037,238 is valued at the District's position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following source that qualifies for reporting in this category:

Deferred Outflows of Resources Related to Pensions

These deferred outflows include the net difference between projected and actual earnings on pension plan investments, and District contributions subsequent to the measurement date of December 31, 2016.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net 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 an inflow of resources (revenue) until that time. The District has the following source that qualifies for reporting in this category:

Deferred Inflows of Resources Related to Pensions

These deferred inflows include the net difference between expected and actual experience, and changes of assumptions in the measurement of the net pension liability (asset).

The following items arise only under a modified accrual basis of accounting and are reported in the governmental funds Balance Sheet; these items are deferred and recognized as an inflow of resources in the period that the amounts become available:

Unavailable Use Taxes

Unavailable use taxes consist of Utah State assessed motor vehicle receipts received after the period of availability.

Unavailable Assessments

Unavailable assessments consist of uncollected assessments levied against property in a designated assessment area for services provided by the Jordanelle Station in the Jordanelle Basin.

Unavailable Fire Service Receipts

Unavailable fire service receipts consist of uncollected fees for emergency medical services, and uncollected reimbursements for the Fire Warden shared employment costs.

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 6 for further information.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 5 for further information regarding the District's retirement plans.

Net Position

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

Cash and Cash Equivalents

All funds of the District use the same interest-bearing checking account. The District considers cash and cash equivalents to be cash on hand, demand deposits including investments in the Utah Public Treasurer's Investment Fund, and short-term 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 regarding these deposits and investments.

Accounts Receivable

When the Enterprise Fund was closed in 2013, receivables with an offsetting allowance for the same amount were transferred to the General Fund. These receivables were for fire protection service fees charged to residents of the Jordanelle Basin. The allowance encompassed the entire balance of accounts due in response to a lawsuit related to these fees and charges.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

In October 2017, the lawsuit was settled and the receivables and related allowance were removed from the General Fund. See Note 9 for further information.

Also in 2013, the Enterprise Fund transferred a receivable due from Wasatch County in the amount of \$164,922 to the General Fund. As of December 31, 2017, the District has accrued an allowance against future bad debt losses for this amount. See Note 3 for further information.

For the Special Revenue Fund, the District considers an account to be delinquent if payment is not received by June 25. All delinquent accounts are assessed a finance charge of 0.84% per month, 10% per annum. Foreclosure proceedings may occur if payment is not received within 90 days. The District may also attach the delinquent balances to the Wasatch County tax rolls.

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
Vehicles	2 – 39 years

See Note 4 for additional information.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District's compensation policy permits employees to accumulate 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 7 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, 2017, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at December 31, 2017 is not considered significant.

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.

Budgeting

The District's governing board adopts a budget for each year prior to the beginning of the 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, 2017 in a public meeting held December 12, 2017.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments for local governments 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, 2017, the District's bank balances are \$130,632 all of which are insured.

Credit Risk

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

The District is authorized to invest in the 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 monthly 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.

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For the year ended December 31, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk *(Continued)*

As of the year ended December 31, 2017, the District has investments of \$3,037,238 with the PTIF. The portfolio has a weighted average maturity of 50 days. The PTIF pool has not been rated. The PTIF investment pool is reported at fair value which is approximately equal to the value of the pool shares. See Note 1 for a description of how the fair value is measured.

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 Utah Public Treasurer's Investment Fund (PTIF) and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Restricted Cash

Properties lying within the wildland urban interface area who are unable to complete their landscaping until the following spring are required to make a \$5,000 deposit with the District. When the landscaping is later installed, the District inspects the property to verify that the landscaping plan has been followed, and the deposit is returned to the property owner. As of December 31, 2017, the District is holding deposits totaling \$10,000 in the checking account.

Designated Assets

In 1998, the Board adopted a resolution designating the use of \$550,000 in a 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, 2017, \$1,236,054 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.

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For the year ended December 31, 2017

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

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.

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. The District determined that this receivable would most likely not be collected; therefore, an allowance for doubtful accounts is recorded for \$164,922.

NOTE 4 – CAPITAL ASSETS

The District owns an antique fire truck which is used in parades and other community events. The truck is not used to provide fire protection services within the District; therefore, it is not capitalized, but reported as an *other asset* in the government-wide statements.

In January 2017, the District placed an order with Pierce Manufacturing for a new ladder truck in the amount of \$853,150. The ladder truck was received in December 2017, however, personnel need to be trained and the truck equipment before it can be placed in service. Therefore, the ladder truck is reported as *capital assets not in use* in the schedule on the following page. Other expenditures for capital assets consist of pump repairs on fire engines.

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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended December 31, 2017 is \$142,967 and is charged to fire protection. Capital asset activity for the year ended December 31, 2017 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 100,000			\$ 100,000
Capital assets not in use		\$ 853,150		853,150
Total capital assets not being depreciated	<u>100,000</u>	<u>853,150</u>	<u>\$ -0-</u>	<u>953,150</u>
Capital assets being depreciated				
Building and improvements	1,349,070			1,349,070
Equipment	291,286			291,286
Furniture and fixtures	1,092			1,092
Land improvements	5,866			5,866
Vehicles	1,464,432	26,846		1,491,278
Total capital assets being depreciated	<u>3,111,746</u>	<u>26,846</u>	<u>-0-</u>	<u>3,138,592</u>
Less accumulated depreciation for:				
Building and improvements	(157,753)	(52,565)		(210,318)
Equipment	(234,610)	(7,261)		(241,871)
Furniture and fixtures	(1,092)			(1,092)
Land improvements	(4,231)	(1,110)		(5,341)
Vehicles	(1,001,410)	(82,031)		(1,083,441)
Total accumulated depreciation	<u>(1,399,096)</u>	<u>(142,967)</u>	<u>-0-</u>	<u>(1,542,063)</u>
Net depreciable assets	<u>1,712,650</u>	<u>(116,121)</u>	<u>-0-</u>	<u>1,596,529</u>
Capital assets, net	<u>\$ 1,812,650</u>	<u>\$ 737,029</u>	<u>\$ -0-</u>	<u>\$ 2,549,679</u>

NOTE 5— RETIREMENT PLANS

Plan Description

The District contributes to the Utah Retirement Systems Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System), the Firefighters Retirement System (Tier 1 Firefighters System), and the Tier 2 Public Safety and Firefighters Contributory Retirement System (Tier 2 Firefighters System).

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NOTE 5— RETIREMENT PLANS (CONTINUED)

These systems are a part of cost-sharing multiple-employer defined benefit pension plans administered by Utah Retirement Systems (URS), a component unit of the State of Utah. The Tier 2 retirement systems became effective July 1, 2011. All eligible employees beginning on after July 1, 2011, who have no previous service credit with any of the systems, are members of the Tier 2 retirement systems. The District also participates in the Utah Retirement Systems 401(k) Plan, 457 Plan, and ROTH IRA Plan, which are individual account plans.

URS is established and governed by Title 49 of the *Utah Code Annotated* 1953 as amended, which also established the Utah State Retirement Office (the Office) for the administration of the systems and plans. Title 49 places URS, the Office and related plans and programs under the direction of the URS Board of Trustees whose members are appointed by the Governor. The systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS's defined benefit plans are amended statutorily by the Utah State Legislature.

URS issues a publicly available financial report that includes financial statements and required supplementary information for URS, and the systems and plans it administers. A copy of the report may be obtained by writing Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or by visiting the website www.urs.org.

Benefits Provided

URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans. Employees are eligible to retire based on years of service and age. For those participating in the Tier 1 Noncontributory System, retirement benefits are determined at 2.00% of the employee's highest three years of compensation times the employee's years of service, subject to cost-of-living adjustments up to 4.00% and limited to the actual Consumer Price Index increase for the year.

For those participating in the Tier 1 Firefighters System, retirement benefits are determined at 2.50% of the employee's highest three years of compensation times the employee's years of service up to 20 years, and 2.00% of the employee's highest three years of compensation times the employee's years of service over 20 years. This calculation is also subject to cost-of-living adjustments up to 4.00% and limited to the actual Consumer Price Index increase for the year.

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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 5— RETIREMENT PLANS (CONTINUED)

Benefits Provided (Continued)

For those participating in the Tier 2 Firefighters System, retirement benefits are determined at 1.50% of the employee's highest five years of compensation times the employee's years of service, subject to cost-of-living adjustments up to 2.50% and limited to the actual Consumer Price Index increase for the year.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans, and as a primary retirement plan for some Tier 2 participants. These plans are voluntary tax-advantage retirement savings programs authorized under sections 401(k), 457(b), and 408 of the Internal Revenue code. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings which are vested during the first four years of employment. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

Contributions

As a condition of participation in the plans, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

Defined benefit pension plan contribution rates for the year ended December 31, 2017 were from 10.82% to 18.98%. Defined contribution plan contribution rates for the year ended December 31, 2017 were from 6.64% to 18.01%. Employees can make additional contributions to defined contribution plans subject to limitations. For the year ended December 31, 2017, District and employee contributions to the plans were as shown on the following page.

**WASATCH COUNTY FIRE PROTECTION
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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 5— RETIREMENT PLANS (CONTINUED)

Contributions (Continued)

	<u>District Contributions</u>	<u>Employee Contributions</u>
Tier 1 Noncontributory System	\$ 14,900	
Tier 1 Firefighter System	32,736	\$ 126,047
Tier 2 Firefighter System	25,798	
401(k) Plan	93,372	42,046
457 Plan and ROTH IRA Plan		14,051
	<u>\$ 166,806</u>	<u>\$ 182,144</u>

Employer contributions made to the defined benefit plans on behalf of the employees are reported as employee contributions by URS. The employer paid 401(k) contributions include the total paid for employees enrolled in the Tier 2 Defined Contribution 401(k) Plan. Contributions reported are the URS required contributions. Contributions in the Tier 2 systems are used to finance the unfunded liabilities in the Tier 1 systems.

Net Pension Assets and Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the District reported a net pension asset of \$21,672 and a net pension liability of \$49,022. The net pension asset and liability were measured as of December 31, 2016. The total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2016 and rolled forward using generally accepted actuarial procedures.

The changes in the long-term liability are as follows:

	<u>Balance 12/31/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2017</u>	<u>Due Within One Year</u>
Net pension liability	\$ 37,029	\$82,813	\$ (70,820)	\$ 49,022	\$ -0-

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 5— RETIREMENT PLANS (CONTINUED)

Net Pension Assets and Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The District's proportion of the net pension asset and liability is equal to the ratio of the District's actual contributions to the systems during the plan year over the total of all employer contributions to the systems during the plan year. At December 31, 2016, the District's proportionate shares in the defined benefit pension plans were as follows:

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Tier 1 Noncontributory System	0.0076343%		\$ 49,022
Tier 1 Firefighters System	2.4990163%	\$ 19,701	
Tier 2 Firefighters System	0.2270713%	1,971	
Total		<u>\$ 21,672</u>	<u>\$ 49,022</u>

For the year ended December 31, 2017, the District recognized pension expense of \$200,959 for the defined benefit pension plans, including \$127,600 of employer contributions made on behalf of the employee, and expense of \$95,720 for the defined contribution plans. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the sources as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,521	\$ 43,973
Changes of assumptions	107,619	64,703
Net difference between projected and actual earnings on pension plan investments	166,757	47,632
Changes in proportion and differences between contributions and proportionate share of contributions	4,900	4,464
District contributions subsequent to the measurement date	72,576	
Total	<u>\$ 354,373</u>	<u>\$ 160,772</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Financial Statements

For the year ended December 31, 2017

NOTE 5— RETIREMENT PLANS (CONTINUED)

Net Pension Asset and Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$72,576 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017.

The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 42,451
2018	42,494
2019	40,319
2020	(14,903)
2021	(3,978)
Thereafter	14,642

Actuarial Assumptions

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.35% to 10.35%, average, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

**WASATCH COUNTY FIRE PROTECTION
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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 5— RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

	Expected Return Arithmetic Basis		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	40.00%	7.06%	2.82%
Debt securities	20.00%	0.80%	0.16%
Real assets	13.00%	5.10%	0.66%
Private equity	9.00%	11.30%	1.02%
Absolute return	18.00%	3.15%	0.57%
Cash and cash equivalents	0.00%	0.00%	0.00%
Total	100.00%		5.23%
Inflation			2.60%
Expected arithmetic nominal return			7.83%

**WASATCH COUNTY FIRE PROTECTION
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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 5— RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, and a real return of 4.60% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20% from 7.50% from the prior measurement period.

Sensitivity of the District's Proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20%) or 1-percentage-point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Tier 1 Noncontributory System	\$ 101,540	\$ 49,022	\$ 5,198
Tier 1 Firefighters System	712,432	(19,701)	(613,754)
Tier 2 Firefighter System	13,791	(1,971)	(14,084)
	\$ 827,763	\$ 27,350	\$ (622,640)

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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 5— RETIREMENT PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Payables to the Pension Plans

At December 31, 2017, the District reported payables of \$8,398 consisting of \$4,869 for contributions to defined contribution plans and \$3,529 for contributions to the defined benefit plans.

NOTE 6 – 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 7 – 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 administrative personnel can accrue up to 150 days of sick leave which is accumulated at a rate of one day per month (eight 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.

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Notes to Financial Statements

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NOTE 7 – COMPENSATED ABSENCES (CONTINUED)

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

Full-time 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.

As of December 31, 2017, only the General Fund is used to liquidate accrued compensated absences. The changes in the liability are as follows:

	<u>Balance</u> <u>12/31/2016</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Due Within</u> <u>One Year</u>
Accrued compensated absences	\$215,901	\$101,384	\$ (86,554)	\$230,731	\$ -0-

NOTE 8 – RELATED PARTY TRANSACTIONS

Wasatch County

The District is a component unit of Wasatch County and has the same governing board. 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, 2017 totaled \$318,455 with \$29,317 due as of the year then ended. Also, the District pays Wasatch County for solid waste removal, dispatch services, training and certification for emergency medical services, use of communication equipment, and communication equipment maintenance. The District paid Wasatch County \$45,310 for these services during the year ended December 31, 2017 with \$8,905 due at year's end.

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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

Wasatch County (Continued)

Wasatch County shares the employment costs for the Fire Warden with the State of Utah and the District. Wasatch County owes the District \$37,000 as of December 31, 2017 for these shared costs.

Previously, Wasatch County would bill the insurance companies for emergency medical services, and then remit the payments to the District once the bill had been settled. However, under this method the District was unable to account for the revenues as the services were provided. In 2015, the District entered into an agreement with Wasatch County to be paid a flat fee for emergency medical services. Wasatch County paid the District \$323,018 for these services for the year ended December 31, 2017 with \$107,719 due as of year's end.

Jordanelle Special Service District

The District and Jordanelle Special Service District (JSSD) are both component units of Wasatch County and share the same governing board. The District receives water and sewer utility services from JSSD. The District is billed monthly, and paid JSSD \$5,482 for these services during the year ended December 31, 2017 with \$115 due as of year's end.

NOTE 9 – CONTINGENCIES

Jordanelle Basin Service Fees

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.

**WASATCH COUNTY FIRE PROTECTION
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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 9 – CONTINGENCIES (CONTINUED)

Jordanelle Basin Service Fees (Continued)

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.

In November 2014, the plaintiffs requested the District Court enforce a portion of its prior judgment against the District. In April 2015, the District Court entered a stay against the plaintiffs to enforce the judgment and the District posted a bond for the stay to issue. To ensure funds were available to meet the awarded damages, the District was required to deposit \$140,000 a year for 10 years in an escrow account. The Districted funded the escrow account with a deposit of \$280,000 in February 2016. The balance was reviewed annually and additional funds were transferred, if necessary, to ensure the escrow account contained the required deposit calculated for the current potential loss.

In July 2015, the Utah Court of Appeals ruled in the District's favor regarding their right to charge the fees. This judgment was appealed to the Utah Supreme Court, but in February 2016 they denied to hear it. The case then went back to the District Court to have the judgment recalculated.

In October 2017, the case was settled and the plaintiffs were awarded \$339,500. The District had previously accrued a potential loss contingency of \$911,385; therefore, a settlement gain of \$571,885 was recognized in the General Fund to account for the difference between the awarded damages and the contingent liability.

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 was to finance a portion of the fire protection services provided by the full-time fire suppression personnel housed at the Jordanelle Station. The final assessment was levied in 2017.

**WASATCH COUNTY FIRE PROTECTION
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Notes to Financial Statements

For the year ended December 31, 2017

NOTE 9 – CONTINGENCIES (CONTINUED)

Special Revenue Fund Assessment (Continued)

A lawsuit 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, 2017, a ruling has not been received. Therefore, the District has accrued \$559,341 for the assessments and interest received in 2017 as an additional legal contingency until final determination is made. The total contingency is \$2,394,724, as of December 31, 2017.

NOTE 10 – 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 provides the training hours necessary in order to maintain the certification. The District is also responsible for compensating these fire suppression personnel when they are called out on a hazardous materials incident.

NOTE 11 – DISCONTINUATION OF SPECIAL REVENUE FUND ASSESSMENT

As noted previously, the District passed Resolution 13-04 creating the Wasatch Fire Assessment Area in order to levy an operation and maintenance assessment on those properties within the designated area to be used to finance a portion of the costs of providing a full-time fire station in the area. The resolution stated the assessment would be collected over a five-year period which ended with the assessment in 2017.

To compensate for the loss of revenue needed to operate the Jordanelle Station, the District passed an increase in the tax mill levy to take effect in 2018. The District will also use this tax increase to staff and equip an additional full-time station in Midway,

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, 2017
With comparative totals for the year ended December 31, 2016

	Original Budget	Amended Budget	2017 Actual	Variance	2016 Actual
Revenues					
Property taxes	\$ 1,910,600	\$ 1,910,600	\$ 2,157,754	\$ 247,154	\$ 1,987,649
Plans and inspections	125,000	148,000	269,802	121,802	210,817
Grants	10,000	10,000		(10,000)	48,557
Interest	9,300	16,700	17,340	640	9,733
Charges for services	439,000	453,400	547,277	93,877	392,014
Revenue recoveries					24
Settlement gain		551,400	571,885	20,485	
Other			4,049	4,049	13,370
Total revenues	<u>2,493,900</u>	<u>3,090,100</u>	<u>3,568,107</u>	<u>478,007</u>	<u>2,662,164</u>
Expenditures					
Current					
Payroll and related benefits	1,716,100	1,698,300	1,641,673	56,627	1,560,233
Professional services	158,000	109,200	109,502	(302)	171,146
Materials and supplies	76,600	74,600	100,373	(25,773)	60,610
Training and certification	15,000	18,500	13,153	5,347	9,307
Utilities	39,300	43,800	39,612	4,188	28,951
Insurance	25,000	25,000	24,264	736	24,423
Repairs and maintenance	115,000	84,600	82,129	2,471	76,837
Legal contingency	50,000				8,588
Capital outlay	672,300	880,200	879,996	204	81,281
Total expenditures	<u>2,867,300</u>	<u>2,934,200</u>	<u>2,890,702</u>	<u>43,498</u>	<u>2,021,376</u>
Excess (deficiency) of revenues over expenditures	<u>(373,400)</u>	<u>155,900</u>	<u>677,405</u>	<u>521,505</u>	<u>640,788</u>
Other Financing Sources (Uses)					
Sale of capital assets					27,850
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>27,850</u>
Net Change in Fund Balance	(373,400)	155,900	677,405	<u>\$ 521,505</u>	668,638
Fund Balance at Beginning of Year	<u>1,410,582</u>	<u>1,410,582</u>	<u>1,410,582</u>		<u>741,944</u>
Fund Balance at End of Year	<u>\$ 1,037,182</u>	<u>\$ 1,566,482</u>	<u>\$ 2,087,987</u>		<u>\$ 1,410,582</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, 2017
With comparative totals for the year ended December 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>2017 Actual</u>	<u>Variance</u>	<u>2016 Actual</u>
Revenues					
Charges for services	\$ 644,000	\$ 583,000	\$ 709,344	\$ 126,344	\$ 571,418
Other	73,400	73,400	73,464	64	73,464
Total revenues	<u>717,400</u>	<u>656,400</u>	<u>782,808</u>	<u>126,408</u>	<u>644,882</u>
Expenditures					
Current					
Payroll and related benefits	661,700	658,100	678,888	(20,788)	557,337
Professional services	55,700	55,700	44,673	11,027	66,433
Legal contingency	494,000	433,000	559,341	(126,341)	421,415
Total expenditures	<u>1,211,400</u>	<u>1,146,800</u>	<u>1,282,902</u>	<u>(136,102)</u>	<u>1,045,185</u>
Deficiency of revenues over expenditures	<u>(494,000)</u>	<u>(490,400)</u>	<u>(500,094)</u>	<u>(9,694)</u>	<u>(400,303)</u>
Net Change in Fund Balance	(494,000)	(490,400)	(500,094)	<u>\$ (9,694)</u>	(400,303)
Fund Balance (Deficit) at Beginning of Year	<u>(1,652,432)</u>	<u>(1,652,432)</u>	<u>(1,652,432)</u>		<u>(1,252,129)</u>
Fund Balance (Deficit) at End of Year	<u>\$ (2,146,432)</u>	<u>\$ (2,142,832)</u>	<u>\$ (2,152,526)</u>		<u>\$ (1,652,432)</u>

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
Schedules of the District's Proportionate Share of the Net Pension Liability (Asset)
Utah Retirement Systems
Last 10 Years*

	As of year ended December 31,	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Tier 1 Noncontributory System	2016	0.0076343%	\$ 49,022	\$ 76,441	64.13%	87.30%
	2015	0.0065440%	\$ 37,029	\$ 67,110	55.18%	87.80%
	2014	0.0066932%	\$ 29,063	\$ 67,526	43.04%	90.20%
Tier 1 Firefighters System	2016	2.4990163%	\$ (19,701)	\$ 759,600	-2.59%	100.40%
	2015	2.5213771%	\$ (45,667)	\$ 734,171	-6.22%	101.00%
	2014	2.4045649%	\$ (137,214)	\$ 680,735	-20.16%	103.50%
Tier 2 Public Safety and Firefighter System	2016	0.2270713%	\$ (1,971)	\$ 187,616	-1.05%	103.60%
	2015	0.2199607%	\$ (3,214)	\$ 130,960	-2.45%	110.70%
	2014	0.0000000%	\$ -0-	\$ -0-	0.00%	0.00%

* Information for measurement periods prior to December 31, 2014 are not available.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
Schedules of District Contributions
Utah Retirement Systems
Last 10 Years

	As of year ended December 31,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered-employee payroll**
Tier 1 Noncontributory System	2017	\$ 14,900	\$ 14,900	\$ -0-	\$ 95,155	15.66%
	2016	\$ 13,033	\$ 13,033	\$ -0-	\$ 70,561	18.47%
	2015	\$ 10,766	\$ 10,766	\$ -0-	\$ 67,110	16.04%
	2014	\$ 10,520	\$ 10,520	\$ -0-	\$ 67,526	15.58%
	2013	\$ 9,291	\$ 9,291	\$ -0-	\$ 69,574	13.35%
	2012	\$ 8,315	\$ 8,315	\$ -0-	\$ 82,369	10.09%
	2011	\$ 8,695	\$ 8,695	\$ -0-	\$ 113,920	7.63%
	2010	\$ 8,019	\$ 8,019	\$ -0-	\$ 56,682	14.15%
	2009	\$ 7,488	\$ 7,488	\$ -0-	\$ 64,335	11.64%
	2008	\$ 7,295	\$ 7,295	\$ -0-	\$ 62,781	11.62%
Tier 1 Firefighters System	2017	\$ 32,736	\$ 32,736	\$ -0-	\$ 897,050	3.65%
	2016	\$ 27,662	\$ 27,662	\$ -0-	\$ 759,600	3.64%
	2015	\$ 26,485	\$ 26,485	\$ -0-	\$ 734,171	3.61%
	2014	\$ 21,436	\$ 21,436	\$ -0-	\$ 680,735	3.15%
	2013	\$ 17,476	\$ 17,476	\$ -0-	\$ 670,576	2.61%
	2012	\$ 9,135	\$ 9,135	\$ -0-	\$ 620,682	1.47%
	2011	\$ 7,123	\$ 7,123	\$ -0-	\$ 690,575	1.03%
	2010	\$ 5,475	\$ 5,475	\$ -0-	\$ 552,729	0.99%
	2009	\$ -0-	\$ -0-	\$ -0-	\$ 630,068	0.00%
	2008	\$ -0-	\$ -0-	\$ -0-	\$ 565,097	0.00%

(Continued)

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**
Schedules of District Contributions
Utah Retirement Systems
Last 10 Years

	As of year ended December 31,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered-employee payroll**
Tier 2 Public Safety and Firefighter System*	2017	\$ 25,798	\$ 25,798	\$ -0-	\$ 239,200	10.79%
	2016	\$ 20,168	\$ 20,168	\$ -0-	\$ 187,616	10.75%
	2015	\$ 14,101	\$ 14,101	\$ -0-	\$ 130,960	10.77%

*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

** Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

Notes to Required Supplementary Information

For the year ended December 31, 2017

NOTE 1 – SPECIAL REVENUE FUND BUDGETARY COMPARISON SCHEDULE

For the year ending December 31, 2017, expenses in the Special Revenue Fund exceeded appropriations by \$136,102. Payroll and related benefit costs exceeded expectations by \$20,788 due to additional coverage needed for full-time fire suppression personnel who were assisting with the wildland fires in California near the end of the year. Collections of assessments through tax attachments increased significantly in December resulting in an increase of \$126,341 in the offsetting contingency expense.

NOTE 2 – CHANGES IN ASSUMPTION – UTAH RETIREMENT SYSTEMS

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

ADDITIONAL AUDITORS' REPORTS AND SCHEDULE

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



**Independent Auditor’s 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***

The Board of Directors
Wasatch County Fire District
(a Component Unit of Wasatch County)
Heber City, Utah

We have audited, 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, the financial statements of the governmental activities and each major fund of Wasatch County Fire District (the District), a component unit of Wasatch County, as of and for the year ended December 31, 2017, 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 5, 2018.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Salt Lake City, Utah
June 5, 2018



**Independent Auditor's Report in Accordance with the
State Compliance Audit Guide on Compliance with General
State Compliance Requirements and Internal Control over Compliance**

To the Board of Directors
Wasatch County Fire District
(a Component Unit of Wasatch County)
Heber City, Utah

Report On Compliance with General State Compliance Requirements

We have audited Wasatch County Fire District's compliance with the applicable general state 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 Wasatch County Fire District for the year ended December 31, 2017.

General state compliance requirements were tested for the year ended December 31, 2017 in the following areas:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Open and Public Meetings Act
- Treasurer's Bond
- Special and Local Service District Board Members

The District did not have any state funding classified as a major program during the year ended December 31, 2017.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on Wasatch County Fire 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 a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about Wasatch County Fire 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of Wasatch County Fire District's compliance with those requirements.

Opinion on General State Compliance Requirements

In our opinion, Wasatch County Fire District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Wasatch County Fire District for the year ended December 31, 2017.

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 described in in the accompanying schedule of findings and recommendations as items 2017-A, 2017-B and 2017-C. Our opinion on compliance is not modified with respect to this matter.

The responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and recommendations. Wasatch County Fire District's responses were not subjected to the auditing procedures applied in the audit of the compliance and, accordingly, we express no opinion on the responses.

Report On Internal Control Over Compliance

Management of Wasatch County Fire 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 Wasatch County Fire District's internal control over compliance with the compliance requirements that could have a direct and material effect on Wasatch County Fire 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 Wasatch County Fire 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 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. However, material weaknesses 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.



Salt Lake City, Utah
June 5, 2018

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY
Schedule of Findings and Recommendations
December 31, 2017**

Current Year Findings – State Compliance

2017-A Deficit Fund Balance

Criteria: Utah Code 17B-1-613(2) requires that “If there is a deficit fund balance in a fund at the close of the last completed fiscal year, the board of trustees of a local district shall include an item of appropriation for the deficit in the current budget of the fund equal to: (a) at least 5% of the total revenue of the fund in the last completed fiscal year; or (b) if the deficit is equal to less than 5% of the total revenue of the fund in the last completed fiscal year, the entire amount of the deficit.”

Condition: The District reported a deficient fund balance in its Special Revenue Fund for the year ended December 31, 2017. No amount was appropriated in the 2018 budget to retire the deficit.

Cause: Management has identified the cause of the deficit as the accrual of contingent liabilities disclosed in Note 9 to the financial statements.

Effect: The 2018 budget did not include the required appropriation of 5% of 2017 revenue to begin retiring the deficit fund balance.

Recommendation: If the District is unable to comply with the criteria above during the lawsuit that resulted in the contingent liability, we recommend that management continue to monitor the litigation and whether a resolution of the suit in the District’s favor will resolve the deficit fund balance.

Views of Responsible Officials: We strive to maintain fund balances in accordance with the Utah State Code. The District is currently party to litigation which requires accrual of a contingent liability in the Special Revenue Fund for all assessments and related penalties received from property owners. The accrual of the contingent liability leaves no assessment revenue to cover operating costs, resulting in the deficit fund balance. The expected favorable resolution to the litigation will resolve the deficit balance in the Special Revenue Fund.

2017-B Budgetary Compliance

Criteria: Utah Code Section 17B-1-619, states that officers and employees of the District shall not incur expenditures in excess of the total appropriations for any department or fund.

Condition: The District’s expenditures for the Special Revenue Fund for the year ended December 31, 2017 were in excess of its budget.

Cause: The District’s final budget amendments in December 2017 were not sufficient to cover the actual expenditures.

Effect: The District was not in compliance with the requirement not to incur expenditures in excess of budget for the year ended December 31, 2017

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY**
Schedule of Findings and Recommendations
December 31, 2017

Recommendation: Final budget amendments should be sufficient to prevent actual expenditures in excess of budgeted appropriations.

Views of Responsible Officials: In the Special Revenue Fund, tax liens received within 60 days of year-end are included in the calculation of the legal contingency expense. The accrual of these receipts caused the related contingency expense to be adjusted resulting in expenses in excess of appropriations. When the budget was amended prior to year-end, it was unknown if any of these liens would be received within the period of availability. Therefore, the budget for the legal contingency expense was not adjusted to include an accrual for these receipts.

We understand the importance of preparing an accurate budget and maintaining the integrity of that budget. Instead of inflating budgeted expenses to ensure compliance, we choose to be as accurate as possible in order to better inform our residents of the anticipated costs of services for the year. We will continue to dedicate time and expertise to project final budget amendments that include all expected expenditures. In addition, the special revenue fund will no longer be used in 2018 as the assessment has ended.

2017-C Budgetary Compliance

Criteria: Utah Code 17B-1-638 states that “The district clerk or other delegated person shall prepare and present to the board of trustees detailed quarterly financial reports showing the financial position and operations of the district for that quarter and the year to date status.”

Condition: The District was not able to provide any relevant evidence that members of the governing board have reviewed quarterly financial reports for all quarters of the year ended December 31, 2017.

Cause: Management believed that a review of the warrants during each meeting was sufficient to meet the requirements set by Utah Code 17B-1-638.

Effect: The District has evidence of the Board receiving quarterly financial reports for the 3rd Quarter 2017, only.

Recommendation: Prepare and present quarterly financials to the Board every quarter and record evidence of this review in the minutes.

Views of Responsible Officials: Management will monitor board meetings in which the quarterly financial reports are presented and assure that the financial statements are reviewed and discussed and that this is documented in the minutes.

**WASATCH COUNTY FIRE PROTECTION
SPECIAL SERVICE DISTRICT
A COMPONENT UNIT OF WASATCH COUNTY
Schedule of Prior Year Findings
December 31, 2017**

Prior Year Findings – Financial Statements

2016-A Deficit Fund Balance

Initial Year Finding Occurred: 2013

Finding Summary: Utah Code 17B-1-613(2) states that the District must maintain a positive fund balance for all funds at year end. The District’s Special Revenue Fund had deficit fund balances for the year ended December 31, 2016.

Status: This is a finding in the current year.

2016-B Closed Session Meetings

Initial Year Finding Occurred: 2016

Finding: Utah Code 52-4-204(4) requires that “the reason or reasons for holding the closed meeting shall be publicly announced and entered on the minutes of the open meeting at which the closed meeting was approved.” The District did not disclose the reason(s) for going into closed session meetings on the minutes for all instances during the period ending December, 31 2016.

Status: This was corrected for the current year.

2016-C Board Members’ Training Documentation

Initial Year Finding Occurred: 2016

Finding: Utah Code 52-4-104 and 17B-1-312 requires that relevant evidence be maintained that the members of the governing board be provided training on the requirements of open and public meetings as well as special service districts. The District was not able to provide any relevant evidence that members of the governing board have received training.

Status: This was corrected for the current year.