# JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

## Financial Statements

December 31, 2005

# JUAB SPECIAL SERVICE FIRE DISTRICT

**A COMPONENT UNIT OF JUAB COUNTY**

## Financial Statements

December 31, 2005

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Juab Special Service Fire District

We have audited the accompanying financial statements of the governmental activities and each major fund of the Juab Special Service Fire District (District), a component unit of Juab County, as of and for the year ended December 31, 2005, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of Juab Special Service Fire District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Juab Special Service Fire District as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2006, on our consideration of Juab Special Service Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

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accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule beginning on pages MDA-1 and page 17, respectively, are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hawkins Cloward + Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
CERTIFIED PUBLIC ACCOUNTANTS

May 25, 2006

**JUAB SPECIAL SERVICE FIRE DISTRICT**
Management's Discussion and Analysis
December 31st, 2005

As management of the Juab Special Service Fire District, we offer readers of the Juab Special Service Fire District's financial statements this narrative overview and analysis of the financial activities of the Juab Special Service Fire District for the fiscal year ended December 31st, 2005.

Financial Highlights

The Juab Special Service Fire District received $231,505 in Equipment grant revenues during 2005 comparable with $142,056 during 2004. Property tax revenues for 2005 amounted to $481,088 comparable with $407,333 in 2004, charges for fire related services amounted to $58,068 for 2005 comparable with$35,595 in 2004, interest revenues amounted to $17,851 for 2005 comparable with $4,510 in 2004 and other miscellaneous revenues amounted to $2,920 for 2005 comparable with $8,619 in 2004. Total net assets of the Fire District amounted to $1,243,391 for 2005 comparable with $1,257,167 in 2004.

Reporting the District as a Whole

This discussion and analysis is intended to serve as an introduction to the Juab Special Service Fire District's basic financial statements. The Juab Special Service Fire District's basic financial statements comprise three components 1) Government-wide financial statements, 2) Fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

The Statement of Net Assets presents information on all of Juab Special Service Fire District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in assets may serve as a useful indicator of whether the financial position of the Juab Special Service Fire District is improving or deteriorating. However, you will also need to consider other non-financial factors as well.

The Statement of Activities presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The government-wide financial statements distinguish functions of the Juab Special Service Fire District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities, although the District has no business-type activities).

The government-wide financial statements can be found on the pages following the management discussion and analysis.

Reporting the District's Most Significant Funds

A fund is defined as a fiscal and an accounting entity with a self balancing set of accounts. A fund is therefore a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Juab Special Service Fire District also uses Fund accounting to insure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These funds statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual method of accounting which measures cash and other financial assets that can be readily converted cash. The governmental fund statements provide a detailed short-term view of the district's general governmental operations and the basic services it provides. Governmental Fund information helps users determine whether there are adequate financial resources that may be spent in the near future to finance the District's programs. We described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

For the Juab Special Service Fire District, the only major governmental fund (as determined by generally accepted accounting principles) is the general fund. However, management has chosen to reflect the Capital Projects Fund as a major fund for reporting purposes.

Government-wide Financial Analysis

Net assets, over time, are intended to serve as an indicator of the government's financial position. The Juab Special Service Fire District assets exceeded liabilities by $1,243,391 in 2005 comparable with $1,257,167 in 2004, of which $622,656 is represented by investments in 2005 capital assets net of associated debt comparable with $577,803 in 2004. The District's Net Assets decreased by $13,776 in 2005 comparable with an increase of $188,452 in 2004. The largest portion of the Juab Special Service Fire District's net assets is its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, etc.). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis of Government Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

At December 31st, 2005 the District's general fund reported a fund balance of $365,481 comparable with $338,236 for 2004. This represents an increase of $27,245 from the 2004 ending balance.

The general fund is the chief operating fund of the District. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Property taxes continue to be the largest source of revenue in the general fund and represents 62% ($481,088) of total general fund revenues for 2005 comparable with 68% ($407,333) for 2004. Taxes are followed by grant income, which represents 30% ($231,505) of the total revenue for 2005 comparable with 24% ($142,056) for 2004.

Significant changes in the governmental funds includes an overall increase in 2005 revenues of $190,399 which was largely due to an increase of $73,755 in property tax revenues and an increase of $89,449 in grant awards. Expenses increased by $235,581 in the current year largely due to an increase in the spendable grant revenues for supplies as compared to 2004. Much of the 2005 supplies expense was for equipment that did not meet the $5,000 capitalization threshold.

General fund Budgetary Highlights

During the fiscal year, the 2005 general fund original budget was amended from an original budget expenditure total of $523,773 to a final budget of $653,857 comparable with a 2004 original budget expenditure total of $488,102 amended to a final budget of $547,163. There was also a $109,693 2005 transfer from the General Fund to the Capital Projects Fund comparable to a $90,000 2004 transfer from the General Fund to the Capital Projects Fund to be used for future Capital Purchases. The budget increases were made in response to additional expenditures made during the year necessary to meet the requirements of the various grant awards received.

Capital Asset and Debt Administration

Capital Assets - The District's investment in capital assets for its governmental activities as of December 31, 2005 amounts to $1,013,482 net of accumulated depreciation comparable with $1,047,524 at December 31, 2004. Total 2005 assets were $1,796,682 comparable with $1,758,566 for 2004. Capital assets acquired during 2005 amounted to $115,631 comparable with $119,378 for 2004 and depreciation on capital assets during 2005 amounted to $149,673 comparable with $134,108 for 2004. Principal payments on outstanding debt of the District amounted to $78,895 during 2005 comparable with $75,639 for 2004. Long-term liabilities due in more than one year amounted to $390,826 in 2005 comparable with $469,721 in 2004. The $21,475 of 2005 current portion of the 2005 total liabilities of $412,301 consists of short-term payables due at year end but not paid until January 2006 comparable with the $31,678 in 2004 current portion of the 2004 total liabilities of $501,399 which consists of short-term payables due at year end but not paid until January 2005. Current Additional information on the District's capital assets can be found in the footnotes of this report.

# FINANCIAL STATEMENTS

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

Government-wide financial statements

Fund financial statements – governmental fund

## JUAB SPECIAL SERVICE FIRE DISTRICT

**A COMPONENT UNIT OF JUAB COUNTY**

**Government-wide Statement of Net Assets**

December 31, 2005

With Comparative Totals for December 31, 2004

| | 2005 | 2004 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 22,782 | $ 449 |
| Public Treasurer's Investment Funds | 598,349 | 577,598 |
| Accounts receivable (net of allowance for doubtful accounts) | 156,347 | 127,273 |
| Capital assets | | |
| Land | 140,990 | 95,000 |
| Depreciable buildings and equipment, net | 872,492 | 952,524 |
| Other assets | 5,722 | 5,722 |
| Total assets | $ 1,796,682 | $ 1,758,566 |
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | $ 21,475 | $ 31,678 |
| Noncurrent liabilities | | |
| Due in more than one year | 265,494 | 314,494 |
| Capital lease obligation | | |
| Due in more than one year | 125,332 | 155,227 |
| Total liabilities | $ 412,301 | $ 501,399 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | $ 622,656 | $ 577,803 |
| Unrestricted | 761,725 | 679,364 |
| Total net assets | $ 1,384,381 | $ 1,257,167 |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

## JUAB SPECIAL SERVICE FIRE DISTRICT

**A COMPONENT UNIT OF JUAB COUNTY**

### Government-Wide Statement of Activities

For the Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

| | | Program Revenues | | | Net (Expense) Revenues and Changes in Net Assets | |
|---|---|---|---|---|---|---|
| Program Activities | Expenses | Fees, Fines and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | 2004 |
| **Governmental Activities** | | | | | | |
| Fire protection | $ 661,298 | $ 58,068 | | $ 231,505 | $ (371,725) | $ (223,391) |
| **General Revenues** | | | | | | |
| Taxes - advalorem | | | | | 481,088 | 407,333 |
| Interest income | | | | | 17,851 | 4,510 |
| Total general revenues | | | | | 498,939 | 411,843 |
| Change in net assets | | | | | 127,214 | 188,452 |
| Net assets at beginning of year | | | | | 1,257,167 | 1,068,715 |
| Net assets at end of year | | | | | $ 1,384,381 | $ 1,257,167 |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

# JUAB SPECIAL SERVICE FIRE DISTRICT

**A COMPONENT UNIT OF JUAB COUNTY**

## Balance Sheet

December 31, 2005

With Comparative Totals for December 31, 2004

| | General Fund | Capital Projects Fund | Total Governmental Funds | 2004 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 22,249 | $ 533 | $ 22,782 | $ 449 |
| Public Treasurer's Investment Funds | 202,638 | 395,711 | 598,349 | 577,598 |
| Accounts receivable | 156,347 | | 156,347 | 127,273 |
| Other | 5,722 | | 5,722 | 5,722 |
| Total assets | $ 386,956 | $ 396,244 | $ 783,200 | $ 711,042 |
| **LIABILITIES AND FUND BALANCE** | | | | |
| **Liabilities** | | | | |
| Accounts payable | $ 21,475 | | $ 21,475 | $ 31,678 |
| Total liabilities | 21,475 | | 21,475 | 31,678 |
| **Fund Balance** | | | | |
| Reserved for capital projects | | $ 396,244 | 396,244 | 341,128 |
| Unreserved | 365,481 | | 365,481 | 338,236 |
| Total fund balance | 365,481 | 396,244 | 761,725 | 679,364 |
| Total liabilities and fund balance | $ 386,956 | $ 396,244 | $ 783,200 | $ 711,042 |



SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

## JUAB SPECIAL SERVICE FIRE DISTRICT

**A COMPONENT UNIT OF JUAB COUNTY**

# Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets

December 31, 2005

| | |
|---|---|
| Total fund balance - total governmental funds | $ 761,725 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds Balance Sheet. | 1,013,482 |
| Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the governmental funds Balance Sheet. | (390,826) |
| Net assets of governmental activities | $ 1,384,381 |

## JUAB SPECIAL SERVICE FIRE DISTRICT
### A COMPONENT UNIT OF JUAB COUNTY
### Statement of Revenues, Expenditures and Changes in Fund Balances
### Governmental Funds
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

| | General | Capital Projects | Total Governmental Funds | 2004 |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Charges for fire related services | $ 55,148 | | $ 55,148 | $ 35,595 |
| Property taxes | 481,088 | | 481,088 | 407,333 |
| Grants | 231,505 | | 231,505 | 142,056 |
| Donations | | | | 4,475 |
| Interest | 7,861 | $ 9,990 | 17,851 | 4,510 |
| Other | 2,920 | | 2,920 | 4,144 |
| Total revenues | 778,522 | 9,990 | 788,512 | 598,113 |
| **EXPENDITURES** | | | | |
| Administration | 8,808 | | 8,808 | 10,787 |
| Fuel and maintenance | 25,012 | | 25,012 | 32,784 |
| Insurance | 23,076 | | 23,076 | 24,482 |
| Legal and professional | 7,800 | | 7,800 | 5,870 |
| Miscellaneous | 6,264 | | 6,264 | 597 |
| Payroll expenses | 55,984 | | 55,984 | 73,467 |
| Supplies | 306,068 | | 306,068 | 68,500 |
| Training | 3,546 | | 3,546 | 5,927 |
| Utilities | 15,686 | | 15,686 | 24,381 |
| Wild land direct suppression | 46,369 | | 46,369 | 13,409 |
| Debt service | | | | |
| Principal payments | 78,895 | | 78,895 | 75,639 |
| Interest payments | 13,012 | | 13,012 | 15,349 |
| Capital outlay | 51,064 | 64,567 | 115,631 | 119,378 |
| Total expenditures | 641,584 | 64,567 | 706,151 | 470,570 |
| Excess (deficiency) of revenues over expenditures | 136,938 | (54,577) | 82,361 | 127,543 |
| **OTHER FINANCING SOURCES AND (USES)** | | | | |
| Transfers from other funds | | 109,693 | 109,693 | 90,000 |
| Transfers to other funds | (109,693) | | (109,693) | (90,000) |
| Total other financing sources and (uses) | (109,693) | 109,693 | | |
| Change in net assets | 27,245 | 55,116 | 82,361 | 127,543 |
| Fund balance at beginning of year | 338,236 | 341,128 | 679,364 | 551,821 |
| Fund balance at end of year | $ 365,481 | $ 396,244 | $ 761,725 | $ 679,364 |



SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

## JUAB SPECIAL SERVICE FIRE DISTRICT

**A COMPONENT UNIT OF JUAB COUNTY**

# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2005

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 82,361 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciable expense. This is the amount of capital assets recorded in the current period. | | 115,631 |
| Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. | | (149,673) |
| The issuance of long-term debt (e.g. note payable) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | 78,895 |
| Change in net assets of governmental activities | $ | 127,214 |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

# 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Juab Special Service Fire District was created in 1996 and began operations in January of 2001 to provide fire protection services for Juab County. Its board members were appointed by the Juab County Commission. The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to U.S. generally accepted accounting principles applicable to state and local governments.

### Component Unit

Under the guidelines established by Governmental Accounting Standards Board (GASB) Statement 39, the District has been determined to be a component unit of Juab County for financial accounting purposes and is included as a discrete component unit in the County's financial statements.

### Basis of Presentation

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

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 all of the governmental functions 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:

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### Fund Financial Statements *(Continued)*

*General Fund*

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Capital Projects Fund*

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment.

### 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 assets; and the statement of revenues, expenses, and changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers amounts collected within 60 days after year end to be available. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### Budgeting

The District has established its accounting year as a calendar year. The Board annually prepares, reviews, and formally adopts an operating budget pursuant to the requirements of Utah state law. Budget amendments, if needed, are made by resolution of the Board. If the total expenditure budget is increased as a result of the budget amendment, a public hearing is held after appropriate public notification. The budget for 2005 was amended by the Board.

### Capital Assets

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Assets, having an original cost of $5,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|---|---|
| Buildings | 30 years |
| Equipment | 3 – 10 years |
| Apparatus | 10 years |

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

### Net Assets

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

## NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

The District's deposits and investing are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council. Following are discussions of the District's exposure to various risks related to its cash management activities.

### Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Money Management Act requires deposits be in a *qualified depository* as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner Financial Institutions as meeting requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by State statute. As of December 31, 2005, none of the District's bank balance of $37,553 is exposed to custodial credit risk as uninsured and uncollateralized. The carrying amount of the deposits at December 31, 2005 was $22,782.

### Credit Risk

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

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

For the year ended December 31, 2005, the District had investments of $598,349 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

## NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (*CONTINUED*)

### Interest Rate Risk

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

## NOTE 3 – PROPERTY TAX CALENDAR

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 on licensed motor vehicles are collected on a monthly basis in the month in which the individual motor vehicle license is renewed. Property taxes are billed and collected by Juab County on behalf of the District and remitted to the District monthly. At December 31, 2005, only delinquent taxes are uncollected. The amount of collectible delinquent taxes at December 31, 2005 is not considered significant.

## NOTE 4 – RISK MANAGEMENT

The District has exposure to a variety of risks as a result of its operations, including general liability risks, workers compensation risks and risks from various actions taken by the Board. The District carries commercial insurance coverage to provide for these risks. 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.

## NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2005, consisted of the following:

| | Transfer out | Transfer in |
|---|---|---|
| General fund | $ 109,693 | |
| Capital projects fund | | $ 109,693 |
| Total | $ 109,693 | $ 109,693 |

The transfer was made to keep the General Fund equity within the legal limits and to fund future capital projects.

## NOTE 6 - CAPITAL ASSETS

Changes in capital assets are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 95,000 | $ 45,990 | | $ 140,990 |
| Capital assets being depreciated: | | | | |
| Buildings | 205,649 | | | 205,649 |
| Equipment | 391,740 | 41,572 | | 433,312 |
| Apparatus | 1,108,979 | 28,069 | | 1,137,048 |
| Total capital assets being depreciated: | 1,706,368 | 69,641 | | 1,776,009 |
| Less accumulated depreciation for: | | | | |
| Buildings | (165,800) | (3,898) | | (169,698) |
| Equipment | (67,458) | (47,131) | | (114,589) |
| Apparatus | (520,586) | (98,644) | | (619,230) |
| Total accumulated depreciation: | (753,844) | (149,673) | | (903,517) |
| Depreciable assets, net | 952,524 | (80,032) | | 872,492 |
| Governmental activities, net | $ 1,047,524 | $ (34,042) | $ -0- | $ 1,013,482 |

## NOTE 7 – LONG-TERM DEBT

The District received $163,043 for the purchase of a new fire truck from a Community Impact Board loan during 2001. The District received two other installments on this loan in 2004, for a total loan of $244,564. Annual payments start on March 1, 2005, with interest starting on March 1, 2005 at 4%. During 2004 the District received a separate, no interest Community Impact Board loan in the amount of $163,494. Annual principal payments begin on March 1, 2005. Early payments were made on both loans in December 2005. There are no payments due within one year. The District incurred $13,012 in interest expense, which was reported as a direct function expense in the Government-Wide Statement of Activities.

## NOTE 7 – LONG-TERM DEBT *(CONTINUED)*

The changes in long-term debt are as follows:

| | Balance 01/01/05 | Additions | Reductions | Balance 12/31/05 |
|---|---|---|---|---|
| Community Impact Board loans | $ 314,494 | | $ (49,000) | $ 265,494 |
| Obligations under capital lease | 155,227 | | (29,895) | 125,332 |
| Total long-term debt | $ 469,721 | $ -0- | $ (78,895) | $ 390,826 |

The District's estimated annual requirements to meet their debt obligation as of December 31, 2005 are as follows: (Actual amount may change based on payment dates)

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2006 | $ -0- | $ -0- | $ -0- |
| 2007 | 50,000 | 6,480 | 56,480 |
| 2008 | 51,000 | 5,280 | 56,280 |
| 2009 | 53,000 | 4,040 | 57,040 |
| 2010 | 55,000 | 2,760 | 57,760 |
| 2011 | 56,494 | 1,400 | 57,894 |
| Total | $ 265,494 | $ 19,960 | $ 285,454 |

## NOTE 8 – CAPITAL LEASE AGREEMENTS

Upon formation of the District, three capital leases were assumed in conjunction with fire trucks that were contributed to the District from Mona Town, Levan Town, and Nephi City. The balances assumed on these leases as of December 31, 2001 were $70,956, $23,839, and $260,110, respectively. The leases on the Mona and Levan Fire trucks were paid off early during 2004. The District has made prepayments on the Nephi lease in each of the subsequent years. The March 2006 payment on the Nephi truck was also paid early, in December 2005. The interest rate on the Nephi fire truck lease is 3.80%.

## NOTE 8 – CAPITAL LEASE AGREEMENTS (*CONTINUED*)

The future minimum lease payments are as follows:

| Year | Fire Truck |
|---|---|
| 2006 | $ -0- |
| 2007 | 37,993 |
| 2008 | 37,993 |
| 2009 | 37,993 |
| 2010 | 36,876 |
| Total minimum lease payments | 150,855 |
| Less: Amount representing interest | (25,523) |
| Present value of net minimum lease payments | 125,332 |
| Principal amount due within one year | -0- |
| Principal amount due after one year | $ 125,332 |

# Required Supplementary Information

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

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

# JUAB SPECIAL SERVICE FIRE DISTRICT

A COMPONENT UNIT OF JUAB COUNTY

## Budgetary Comparison Schedule

## General Fund

For the Year Ended December 31, 2005

| | General Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
| **REVENUES** | | | | |
| Charges for fire related services | $ 110 | $ 50,066 | $ 55,148 | $ 5,082 |
| Property taxes | 448,809 | 469,483 | 481,088 | 11,605 |
| Grants | 70,126 | 222,920 | 231,505 | 8,585 |
| Other | 4,728 | 11,081 | 10,781 | (300) |
| Total revenues | 523,773 | 753,550 | 778,522 | 24,972 |
| **EXPENDITURES** | | | | |
| Administration | 10,283 | 9,074 | 8,808 | 266 |
| Fuel and maintenance | 58,865 | 47,337 | 25,012 | 22,325 |
| Insurance | 26,076 | 23,076 | 23,076 | |
| Legal and professional | 6,311 | 8,300 | 7,800 | 500 |
| Miscellaneous | 4,632 | 7,229 | 6,264 | 965 |
| Payroll expenses | 75,129 | 68,331 | 55,984 | 12,347 |
| Supplies | 239,513 | 445,884 | 306,068 | 139,816 |
| Training | 6,953 | 3,503 | 3,546 | (43) |
| Utilities | 16,593 | 17,164 | 15,686 | 1,478 |
| Wild land direct suppression | 79,418 | 23,959 | 46,369 | (22,410) |
| Debt service | | | | |
| Principal payments | | | 78,895 | (78,895) |
| Interest payments | | | 13,012 | (13,012) |
| Capital outlay | | | 51,064 | (51,064) |
| Total expenditures | 523,773 | 653,857 | 641,584 | 12,273 |
| Excess of revenues over expenditures | | 99,693 | 136,938 | 37,245 |
| **OTHER FINANCING SOURCES AND (USES)** | | | | |
| Transfers from other funds | | | | |
| Transfers to other funds | | (99,693) | (109,693) | (10,000) |
| Total other financing sources and (uses) | | (99,693) | (109,693) | (10,000) |
| Change in net assets | | | 27,245 | $ 27,245 |
| Fund balance, January 1 | 338,236 | 338,236 | 338,236 | |
| Fund balance, December 31 | $ 338,236 | $ 338,236 | $ 365,481 | |

# Additional Auditors' Reports

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

The Schedule is provided for additional analysis.

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# 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*

To the Board of Directors
Juab Special Service Fire District

We have audited the financial statements of the governmental activities and each major fund of Juab Special Service Fire District, as of and for the year ended December 31, 2005, which collectively comprise the Juab Special Service Fire District's financial statements and have issued our report thereon dated May 25, 2006. 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.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Audit Findings as items 2005-1, 2005-2, and 2005-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly,

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would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

## COMPLIANCE AND OTHER MATTERS

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

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

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
CERTIFIED PUBLIC ACCOUNTANTS

May 25, 2006

# JUAB SPECIAL SERVICE FIRE DISTRICT
**Schedule of Audit Findings**
December 31, 2005

## A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Juab Special Service Fire District.

2. There were three reportable conditions, as described below, relating to the audit of the financial statements as reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of Juab Special Service Fire District were disclosed during the audit.

## B. Findings- Financial Audit Current Year

**2005-1 Finding**: Tagging of Capital Assets

While conducting the audit we noted that District personnel do not tag capital assets.

**Recommendation:**

We recommend that District personnel tag capital assets, identifying the assets as property belonging to the District.

**District's Response:**

We agree with the finding and will implement the recommendation, insofar as possible.

**2005-2 Finding**: Written personnel policies manual.
The District does not have a written personnel policies manual.

**Recommendation**
The District should draft a personnel policies manual. The manual should be available to all District personnel.

**District's Response**
We agree with the finding and will implement the recommendation.

**2005-3 Finding**: No physical count performed on the capital asset inventory.
The District did not count capital assets during the year.

**Recommendation**
The District should count capital assets at least annually.

**District's Response**
We agree with the finding and will implement the recommendation.

## C. Current Year Status of Prior Year Findings

**2004-1 Finding:** Tagging of Capital Assets
While conducting the audit we noted that District personnel do not tag capital assets.

**Status:** See current year finding 2005-1.

**2004-2 Finding:** Written policies and procedures manual.
The District does not have a written policies and procedures manual.

**Status:** See current year finding 2005-2.

**2004-3 Finding**: No count taken of capital asset inventory.
The District did not count capital assets during the year.

**Status:** See current year finding 2005-3.

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# UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS, AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

To the Board of Directors
Juab Special Service Fire District

We have audited the accompanying financial statements of the governmental activities and each major fund of Juab Special Service Fire District as of and for the year ended December 31, 2005, and have issued our report thereon dated May 25, 2006.

The District did not receive any major state grants during the year.

The District received the following non-major state grants which are not required to be audited for specific compliance requirements. However, these programs were subject to the testwork as part of the audit of the District's financial statements.

Community Impact Loans (Dept of Community and Economic Development)
Community Impact Grants (Dept of Community and Economic Development)

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

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

The management of Juab Special Service Fire District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described below. We considered this instance of noncompliance when forming our opinion on compliance which is expressed in the last paragraph of this report.

## A. Current Year Immaterial Instance of Noncompliance

1. **Finding**
   The District does not have a written personnel policies manual.

   **Recommendation**
   The District should draft and formally adopt a personnel policies manual.

   **District's Response**
   We agree with the finding and will implement the recommendation.

## B. Current Status of Prior Year Immaterial Instance of Noncompliance

1. **Finding**
   The District does not have a written policies and procedures manual.

   **Status**
   This finding has not been corrected. See current year finding.

In our opinion, the Juab Special Service Fire District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
CERTIFIED PUBLIC ACCOUNTANTS

May 25, 2006