NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
North Tooele County Fire Protection Service District

We have audited the accompanying financial statements of the governmental activities and each major fund of North Tooele County Fire Protection Service District as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of North Tooele County Fire Protection Service District's management. 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 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 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 North Tooele County Fire Protection Service District as of December 31, 2005, and the respective changes in financial position thereof and the budgetary comparison for the general fund 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 our report dated July 27, 2006, on our consideration of North Tooele County Fire Protection Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages five through ten is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Pinnock, Robbins, Posey & Richins

July 27, 2006

136 East South Temple, Suite 2250, Salt Lake City, Utah 84111 801/533-0409 Fax 801/533-0414

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2005

As management of North Tooele County Fire Protection Service District, we offer readers of the North Tooele County Fire Protection Service District financial statements this narrative overview and analysis of the financial activities of North Tooele County Fire Protection Service District for the year ended December 31, 2005.

Financial Highlights

- The assets of North Tooele County Fire Protection Service District exceeded its liabilities at the close of the most recent fiscal year by $2,118,126 (net assets). Of this amount, $192,566 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, North Tooele County Fire Protection Service District's governmental funds reported combined ending fund balances of $1,186,486. Approximately 17% of this total amount, $207,209, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was $207,209, or 72% of total general fund expenditures.

Overview of the financial Statements

This discussion and analysis is intended to serve as an introduction to North Tooele County Fire Protection Service District's basic financial statements. North Tooele County Fire Protection Service District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of North Tooele County Fire Protection Service District's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of North Tooele County Fire Protection Service District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of North Tooele County Fire Protection Service District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of North Tooele County Fire Protection Service District that are principally supported by intergovernmental revenues (governmental activities). The governmental activities of North Tooele County Fire Protection Service District include fire-fighting services.

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. North Tooele County Fire Protection Service District, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of North Tooele County Fire Protection Service District can be grouped in one category: governmental funds.

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 near-term inflows and outflows 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 fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

North Tooele County Fire Protection Service District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, which are considered to be major funds.

North Tooele County Fire Protection Service District adopts an annual appropriated budget for all its fund types. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to 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.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of North Tooele County Fire Protection Service District, assets exceeded liabilities by $2,118,126 at the close of the most recent year.

A portion of North Tooele County Fire Protection Service District's net assets (45%) reflects its investment in capital assets (e.g., land, buildings, improvements, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. North Tooele County Fire Protection Service District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although North Tooele County Fire Protection Service District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

	Governmental Activities	
	2005	2004
Current and other assets	$ 1,191,400	$ 765,798
Capital assets	1,293,013	1,294,900
Total assets	$ 2,484,413	$ 2,060,698
Other liabilities	$ 100,021	$ 57,671
Long-term liabilities outstanding	266,266	316,587
Total liabilities	$ 366,287	$ 374,258
Net assets:		
Invested in capital assets, net of related debt	$ 946,283	$ 928,851
Restricted	979,277	613,263
Unrestricted	192,566	144,326
Total net assets	$ 2,118,126	$ 1,686,440

A portion of North Tooele County Fire Protection Service District's net assets ($979,277) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($192,566) may be used to meet the government's ongoing obligations to citizens and creditors.

Current and other assets increased by approximately $426,000 mainly as a result of an increase in charges for services. Other liabilities increased by approximately $42,000 because revenue bond and tax anticipation note payments due during 2005 were not made until early 2006.

At the end of the current year, North Tooele County Fire Protection Service District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the District's net assets by $431,686. The increase in net assets is due mainly to an increase in impact fee revenue of approximately $185,000 resulting from the construction of the Miller Motorsports Park.

Changes in Net Assets

	Governmental Activities	
	2005	2004
Revenues:		
Program revenues:		
Charges for services	$ 413,565	$ 225,644
Operating grants and contributions	65,293	80,935
General revenues:		
Intergovernmental revenue	236,644	233,500
Unrestricted investment earnings	18,327	5,984
Total revenues	733,829	546,063
Expenses:		
Public safety	285,131	347,823
Interest on long-term debt	17,012	18,889
Total expenses	302,143	366,712
Increase in net assets	$ 431,686	$ 179,351

Charges for services increased by approximately $188,000 as a result of increased impact fee revenue received from the Miller Motorsports Park.

Expense and Program Revenue – Governmental Activities

	Expense	Program Revenue	Net Governmental Activities
Public safety	$ 285,131	$ 478,858	$ 193,727
Interest on long-term debt	17,012	–	(17,012)
TOTAL GOVERNMENTAL ACTIVITIES	$ 302,143	$ 478,858	176,715
General revenues:			
Intergovernmental revenue			236,644
Unrestricted investment earnings			18,327
TOTAL GENERAL REVENUES			254,971
CHANGE IN NET ASSETS			431,686
NET ASSETS - BEGINNING			1,686,440
NET ASSETS - ENDING			$ 2,118,126

Financial Analysis of the Government's Funds

As noted earlier, North Tooele County Fire Protection Service District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current year, North Tooele County Fire Protection Service District's governmental funds reported combined ending fund balances of $1,186,486. Approximately 17% of this total amount or $207,209, constitutes unreserved fund balance which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of North Tooele County Fire Protection Service District. At the end of the current year, unreserved (and total) fund balance of the general fund was $207,209.

The fund balance of North Tooele County Fire Protection Service District's general fund increased by $56,370 during the current year.

General Fund Budgetary Highlights

During the year, actual revenues exceeded budgeted revenue by $85,060, and budgeted expenditures exceeded actual expenditures by $35,310. Following are the main components of these differences:

- The District received a $62,000 Department of Homeland Security grant that was not budgeted
- Budgeted payments of $32,500 and $8,233 on revenue bonds and tax anticipation notes, respectively, were not made until subsequent to December 31, 2005

Capital Asset and Debt Administration

Capital assets. North Tooele County Fire Protection Service District's investment in capital assets for its governmental activities as of December 31, 2005 amounts to $1,293,013 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and vehicles. The total decrease in North Tooele County Fire Protection Service District's investment in capital assets for the current year was $1,887.

Major capital asset events during the current fiscal year included the following:

- Portable air compressor – $62,000
- Architect fees for new fire station – $20,000

Capital Assets
Net of Depreciation

	Governmental Activities	
	2005	2004
Land	$ 59,350	$ 59,350
Buildings	779,204	812,473
Machinery and equipment	118,266	61,547
Vehicles	307,393	352,930
Construction in progress	28,800	8,600
TOTAL	$ 1,293,013	$ 1,294,900

Additional information on North Tooele County Fire Protection Service District's capital assets can be found in Note 4.

Long-term debt. At the end of the current year, North Tooele County Fire Protection Service District had total debt outstanding of $346,730. The debt represents bonds secured solely by specified revenue sources, a note payable, and capital leases. The District's debt decreased by $19,319 during the current fiscal year. On-going debt retirement accounts for the decrease.

Long-Term Debt

	Governmental Activities	
	2005	2004
Revenue bonds	$ 150,000	$ 150,000
Tax anticipation notes	38,000	38,000
Capital leases	158,730	178,049
TOTAL	$ 346,730	$ 366,049

Additional information on North Tooele County Fire Protection Service District's long-term debt can be found in Notes 5 and 6.

Requests for Information

This financial report is designed to provide a general overview of North Tooele County Fire Protection Service District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Administrator, 179 Country Club, Stansbury Park, UT 84074.

BASIC FINANCIAL STATEMENTS

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	Governmental Activities
ASSETS:	
Cash and cash equivalents	$ 148,751
Taxes receivable	56,275
Prepaids	5,297
Investments - water shares	1,800
Restricted assets:	
Cash and cash equivalents	858,186
Intergovernmental receivable	121,091
Capital assets not being depreciated:	
Land	59,350
Construction in progress	28,800
Capital assets net of accumulated depreciation:	
Buildings	779,204
Machinery and equipment	118,266
Vehicles	307,393
TOTAL ASSETS	$ 2,484,413
LIABILITIES:	
Accounts payable and accrued liabilities	$ 4,914
Accrued interest payable	14,643
Noncurrent liabilities:	
Due within one year	80,464
Due in more than one year	266,266
TOTAL LIABILITIES	$ 366,287
NET ASSETS:	
Invested in capital assets, net of related debt	$ 946,283
Restricted for capital improvements	979,277
Unrestricted	192,566
TOTAL NET ASSETS	$ 2,118,126

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental activities:					
Public safety	$ 285,131	$ 413,565	$ 65,293	$ –	$ 193,727
Interest on long-term debt	17,012	–	–	–	(17,012)
TOTAL GOVERNMENTAL ACTIVITIES	$ 302,143	$ 413,565	$ 65,293	$ –	176,715
General revenues:					
Property taxes					236,644
Unrestricted investment earnings					18,327
TOTAL GENERAL REVENUES					254,971
CHANGE IN NET ASSETS					431,686
NET ASSETS - BEGINNING					1,686,440
NET ASSETS - ENDING					$ 2,118,126

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 148,751	$ –	$ 148,751
Taxes receivable	56,275	–	56,275
Impact fees receivable	–	121,091	121,091
Prepaids	5,297	–	5,297
Investment - water shares	1,800	–	1,800
Cash and cash equivalents – restricted	–	858,186	858,186
TOTAL ASSETS	$ 212,123	$ 979,277	$ 1,191,400
LIABILITIES AND FUND BALANCES:			
Accounts payable and accrued liabilities	$ 4,914	$ –	$ 4,914
TOTAL LIABILITIES	4,914	–	4,914
Fund Balances:			
Reserved for capital improvements	–	979,277	979,277
Unreserved	207,209	–	207,209
TOTAL FUND BALANCES	207,209	979,277	1,186,486
TOTAL LIABILITIES AND FUND BALANCES	$ 212,123	$ 979,277	$ 1,191,400

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	$ 148,751	$ –	$ 148,751
Taxes receivable	56,275	–	56,275
Impact fees receivable	–	121,091	121,091
Prepaids	5,297	–	5,297
Investment - water shares	1,800	–	1,800
Cash and cash equivalents – restricted	–	858,186	858,186
TOTAL ASSETS	$ 212,123	$ 979,277	$ 1,191,400
LIABILITIES AND FUND BALANCES:			
Accounts payable and accrued liabilities	$ 4,914	$ –	$ 4,914
TOTAL LIABILITIES	4,914	–	4,914
Fund Balances:			
Reserved for capital improvements	–	979,277	979,277
Unreserved	207,209	–	207,209
TOTAL FUND BALANCES	207,209	979,277	1,186,486
TOTAL LIABILITIES AND FUND BALANCES	$ 212,123	$ 979,277	$ 1,191,400

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2005

Total fund balances - governmental fund types	$ 1,186,486
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,293,013
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(361,373)
Net assets of governmental activities	$ 2,118,126

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES– GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:			
Taxes	$ 236,644	$ –	$ 236,644
Intergovernmental	88,863	–	88,863
Investment earnings	729	17,598	18,327
Miscellaneous	18,224	–	18,224
Impact fees	–	371,771	371,771
TOTAL REVENUES	344,460	389,369	733,829
EXPENDITURES:			
Public safety	197,392	3,155	200,547
Capital outlay	62,497	20,200	82,697
Debt service:			
Principal	19,319	–	19,319
Interest	8,882	–	8,882
TOTAL EXPENDITURES	288,090	23,355	311,445
NET CHANGE IN FUND BALANCES	56,370	366,014	422,384
FUND BALANCES - BEGINNING	150,839	613,263	764,102
FUND BALANCES - ENDING	$ 207,209	$ 979,277	$ 1,186,486

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:			
Taxes	$ 236,644	$ –	$ 236,644
Intergovernmental	88,863	–	88,863
Investment earnings	729	17,598	18,327
Miscellaneous	18,224	–	18,224
Impact fees	–	371,771	371,771
TOTAL REVENUES	344,460	389,369	733,829
EXPENDITURES:			
Public safety	197,392	3,155	200,547
Capital outlay	62,497	20,200	82,697
Debt service:			
Principal	19,319	–	19,319
Interest	8,882	–	8,882
TOTAL EXPENDITURES	288,090	23,355	311,445
NET CHANGE IN FUND BALANCES	56,370	366,014	422,384
FUND BALANCES - BEGINNING	150,839	613,263	764,102
FUND BALANCES - ENDING	$ 207,209	$ 979,277	$ 1,186,486

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

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

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 422,384
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period	(1,887)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	19,319
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(8,130)
Change in net assets of governmental activities	$ 431,686

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget-Positive (Negative)
REVENUES:				
Taxes	$ 225,000	$ 225,000	$ 236,644	$ 11,644
Intergovernmental revenue	20,000	20,000	88,863	68,863
Interest	900	900	729	(171)
Miscellaneous	13,500	13,500	18,224	4,724
TOTAL REVENUES	259,400	259,400	344,460	85,060
EXPENDITURES:				
Public safety:				
Wages and payroll taxes	65,000	65,000	40,101	24,899
Administration	13,500	13,500	13,400	100
Insurance	26,000	26,000	19,262	6,738
Repairs and maintenance	22,000	22,000	23,850	(1,850)
Supplies	20,000	20,000	16,818	3,182
Utilities and fuel	28,000	28,000	35,631	(7,631)
Other	15,140	15,140	48,330	(33,190)
Capital outlay and small equipment	67,346	67,346	62,497	4,849
Debt service:				
Principal retirement	49,333	49,333	19,319	30,014
Interest and fiscal charges	17,081	17,081	8,882	8,199
TOTAL EXPENDITURES	323,400	323,400	288,090	35,310
NET CHANGE IN FUND BALANCES	(64,000)	(64,000)	56,370	120,370
FUND BALANCES – BEGINNING	150,839	150,839	150,839	–
FUND BALANCES – ENDING	$ 86,839	$ 86,839	$ 207,209	$ 120,370

The notes to the financial statements are an integral part of this statement.

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget-Positive (Negative)
REVENUES:				
Taxes	$ 225,000	$ 225,000	$ 236,644	$ 11,644
Intergovernmental revenue	20,000	20,000	88,863	68,863
Interest	900	900	729	(171)
Miscellaneous	13,500	13,500	18,224	4,724
TOTAL REVENUES	259,400	259,400	344,460	85,060
EXPENDITURES:				
Public safety:				
Wages and payroll taxes	65,000	65,000	40,101	24,899
Administration	13,500	13,500	13,400	100
Insurance	26,000	26,000	19,262	6,738
Repairs and maintenance	22,000	22,000	23,850	(1,850)
Supplies	20,000	20,000	16,818	3,182
Utilities and fuel	28,000	28,000	35,631	(7,631)
Other	15,140	15,140	48,330	(33,190)
Capital outlay and small equipment	67,346	67,346	62,497	4,849
Debt service:				
Principal retirement	49,333	49,333	19,319	30,014
Interest and fiscal charges	17,081	17,081	8,882	8,199
TOTAL EXPENDITURES	323,400	323,400	288,090	35,310
NET CHANGE IN FUND BALANCES	(64,000)	(64,000)	56,370	120,370
FUND BALANCES – BEGINNING	150,839	150,839	150,839	–
FUND BALANCES – ENDING	$ 86,839	$ 86,839	$ 207,209	$ 120,370

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NORTH TOOELE COUNTY FIRE PROTECTION SERVICE DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Tooele County Fire Protection Service District was organized on January 1, 1988. The District provides fire protection services to four communities in Tooele County. The District operates under an Administrative Control Board, consisting of five members.

A. Reporting Entity

In evaluating how to define the North Tooele County Fire Protection Service District (the District) for financial reporting purposes, management has considered all potential component units. The decision of whether or not to include a potential component unit by the reporting entity is made by applying the criteria set forth in GASB statement No. 14. The basic, but not the only criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other considerations include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service, which considers whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

The District has no potential component units that meet the criteria set forth above. The financial statements of the District include all fund types required to be included within the financial statements under government accounting and reporting standards.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are generally supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the resources required for major capital improvements of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

E. Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the District have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements.

A formal budget has been adopted and used as a control device during the year.

F. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

H. Capital Assets

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements, fixed assets are treated as capital assets. Capital assets include land, buildings, machinery and equipment, and vehicles. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (continued)

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	17-40
Machinery and equipment	15
Vehicles	10-20

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Property Tax Revenues

Property taxes are levied on January 1st based on the assessed value of property as listed on the previous May 31st. Assessed values are an approximation of market value. An evaluation of all real property must be made every year by the county assessor. Property taxes are delinquent after November 30th. The District's tax rate for 2005 was .000374. The District appropriates the entire amount to fire protection. The statutory maximum set by the state for fire protection is .000400. There is no statutory maximum for the reduction of general obligation bonds.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this $361,373 difference are as follows:

Bonds payable	$ 150,000
Notes payable	38,000
Accrued interest payable	14,643
Capital leases payable	158,730
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$ 361,373

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this $1,887 difference are as follows:

Capital outlay	$ 82,697
Depreciation expense	(84,584)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (1,887)

3. DEPOSITS AND INVESTMENTS

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

A. Deposits

	Bank Balances	Book Balances
Cash on deposit	$ 1,015,296	$ 1,006,937
TOTAL	$ 1,015,296	$ 1,006,937

Custodial Credit Risk: Custodial credit risk 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 Act requires all deposits of the District 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, 2005, $815,296 of the District's bank balance of $1,015,296 were uninsured and uncollateralized.

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 59,350	$ –	$ –	$ 59,350
Construction in progress	8,600	20,200	–	28,800
Total capital assets not being depreciated	67,950	20,200	–	88,150
Capital assets being depreciated:				
Buildings	1,114,282	–	–	1,114,282
Machinery and equipment	71,056	62,497	–	133,553
Vehicles	725,924	–	–	725,924
Total capital assets being depreciated	1,911,262	62,497	–	1,973,759
Less accumulated depreciation for:				
Buildings	(301,809)	(33,269)	–	(335,078)
Machinery and equipment	(9,509)	(5,778)	–	(15,287)
Vehicles	(372,994)	(45,537)	–	(418,531)
Total accumulated depreciation	(684,312)	(84,584)	–	(768,896)
Total capital assets, being depreciated, net	1,226,950	(22,087)	–	1,204,863
CAPITAL ASSETS, NET	$ 1,294,900	$ (1,887)	$ –	$ 1,293,013

Depreciation expense was charged to functions/programs of the primary government as follows:

Public safety	$ 84,584
TOTAL DEPRECIATION EXPENSE	$ 84,584

5. LEASES

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of a pumper truck. The government also has financed the acquisition of a water tender by means of a lease with a down payment of $27,710. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

5. LEASES (CONTINUED)

Assets	Governmental Activities
Vehicles	$ 235,320
Less: accumulated depreciation	(28,862)
TOTAL	$ 206,458

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

Year Ending December 31,	Governmental Activities
2006	$ 24,655
2007	26,428
2008	26,428
2009	26,428
2010	26,428
2011-2015	60,077
TOTAL	190,444
Less: amount representing interest	(31,714)
Present value of minimum lease payments	$ 158,730

6. LONG-TERM DEBT

Revenue Bonds

The government issued revenue bonds on January 1, 1996 to provide funds for the acquisition and construction of major capital facilities. The original amount of revenue bonds issued was $375,000. Revenue bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Revenue Bonds	5%	$ 150,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total Debt Service
2006	$ 50,000	$ 13,750	$ 63,750
2007	25,000	5,000	30,000
2008	25,000	3,750	28,750
2009	25,000	2,500	27,500
2010	25,000	1,250	26,250
TOTAL	$ 150,000	$ 26,250	$ 176,250

6. LONG-TERM DEBT (CONTINUED)

Tax Anticipation Note

The government issued tax anticipation notes on January 1, 1996 to provide funds for the acquisition and construction of major capital facilities. The original amount of the tax anticipation note issued was $95,000. Tax anticipation notes currently outstanding are as follows:

Purpose	Interest Rate	Amount
Tax Anticipation Notes	5%	$ 38,000

Tax anticipation note debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total Debt Service
2006	$ 12,666	$ 3,483	$ 16,149
2007	6,333	1,267	7,600
2008	6,333	950	7,283
2009	6,333	633	6,966
2010	6,335	317	6,652
TOTAL	$ 38,000	$ 6,650	$ 44,650

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	$ 150,000	$ –	$ –	$ 150,000	$ 50,000
Tax anticipation notes	38,000	–	–	38,000	12,666
Capital leases	178,049	–	(19,319)	158,730	17,798
LONG-TERM LIABILITIES	$ 366,049	$ –	$ (19,319)	$ 346,730	$ 80,464

7. GENERAL FUND BUDGET

Expenditures in the public safety department of the general fund exceeded the legally adopted budget by $7,752 for the year ended December 31, 2005.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
North Tooele County Fire Protection Service District
Salt Lake City, Utah

We have audited the financial statements of North Tooele County Fire Protection Service District as of and for the year ended December 31, 2005, and have issued our report thereon dated July 27, 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.

Compliance

As part of obtaining reasonable assurance about whether North Tooele County Fire Protection Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Tooele County Fire Protection Service 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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, management, and applicable regulatory agencies. It is not intended to be and should not be used by anyone other than these specified parties.

Pinnock, Robbins, Posey & Richins

July 27, 2006

136 East South Temple, Suite 2250, Salt Lake City, Utah 84111 801/533-0409 Fax 801/533-0414

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INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

To the Board of Trustees
North Tooele County Fire Protection Service District
Salt Lake City, Utah

We have audited the accompanying financial statements of the governmental activities and each major fund of North Tooele County Fire Protection Service District for the year ended December 31, 2005, and have issued our report thereon dated July 27, 2006. The District received the following nonmajor grant which is not required to be audited for specific compliance requirements. (However, this program was subject to testwork as part of the audit of the District's financial statements.)

Emergency Medical Services Grant

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:

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

The District did not receive any major State grants during the year ended December 31, 2005.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

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

This report is intended for the use of North Tooele County Fire Protection Service District's management, Board of Trustees, and applicable federal and state agencies. However, this report is a matter of public record and its distribution is not limited.

Pinnock, Robbins, Posey & Richins

July 27, 2006

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July 27, 2006

To the Board of Trustees
North Tooele County Fire Protection Service District

We have completed our audit of North Tooele County Fire Protection Service District (the District) for the year ended December 31, 2005. North Tooele County Fire Protection Service District is ultimately responsible for the financial condition of the District, and for the District's compliance with finance related state and federal law. The Uniform Fiscal Procedures Act outlines responsibilities of the governing body.

The purpose of the financial statements is to report in summary form, the financial condition of the District, and the results of its operations and changes in financial condition, and to provide information to the governing body to help them satisfy their legal and political responsibilities for determining and demonstrating compliance with the various finance related state and federal law.

During our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies and are summarized as follows:

STATE LEGAL COMPLIANCE MATTERS

PROPERTY TAX RATES (PRIOR YEAR RECOMMENDATION)

During our audit, we noted that the minutes of the District's board meetings included no mention of the formal approval of the certified tax rate, as required by State Law.

Recommendation

We recommend that the District take care to formally adopt the tax rate.

Management's Response

The District will take care to formally adopt the certified tax rate and ensure that the board minutes include this action.

Over-Expenditure of Legally Adopted Budgets

During our audit, we noted that the following department over-expended its legally adopted budget:

a. General Fund – Public Safety $ 7,752

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Recommendation

We recommend that District management carefully prepare and monitor all financial data so that the District will be able to follow all legal fiscal requirements.

Management's Response

Accounting measures will be put in place to ensure that expenditures more closely match budgeted items.

INTERNAL CONTROL MATTERS

SEGREGATION OF DUTIES (PRIOR YEAR RECOMMENDATION)

During our audit we noted that a lack of segregation of duties exists in the accounting and financial reporting function of the District. We noted that significant progress has been made in this area since the prior audit. Duties should be segregated with respect to the physical custody of cash, the approval of transactions, and maintenance of the general ledger.

Recommendation

We recommend that the District continue to establish controls to provide the proper board monitoring and board oversight necessary to meet internal control objectives.

Management's Response

The board members will continue to identify any additional controls and measures that can be used to protect District assets. To date, we have followed all of the recommendations made to the District by the auditors.

BUDGET AMENDMENTS

During our audit, we noted that the District did not pass any amendments to the budgets of the general and capital projects funds. State law allows budgets of governmental funds to be increased after the proper public hearing.

Recommendation

We recommend that the District carefully monitor expenditures and consider the need to amend fund budgets during the year (as allowed by state law).

Management's Response

Expenditures will be monitored and adjustments made as required prior to the end of the year to balance the budget.

* * * * * * * * * * *

We sincerely appreciate the cooperation we received from the management and employees of the District during the course of the audit. It has been a pleasure working with them. We appreciate the opportunity to serve as your auditors. If you have any questions regarding any of the matters discussed, please feel free to contact us.

Pinnock, Robbins, Posey & Richins

PINNOCK, ROBBINS, POSEY & RICHINS, PC