

LONE PEAK PUBLIC SAFETY DISTRICT
BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

**LONE PEAK PUBLIC SAFETY DISTRICT
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KEDDINGTON & CHRISTENSEN, CPAS

CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Lone Peak Public Safety District
Highland, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Lone Peak Public Safety District (the District) as of and for the year ended June 30, 2020, the statement of revenues, expenditures, and changes in fund balance – budget and actual – general fund, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Lone Peak Public Safety District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the proportionate share of the net pension liability, the schedule of contributions, and the related notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 7, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting.

Keddington & Christensen, LLC

Salt Lake City, Utah
January 7, 2021

LONE PEAK PUBLIC SAFETY DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS

As management of Lone Peak Public Safety District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Lone Peak Public Safety District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

Financial Highlights

- The total net position of Lone Peak Public Safety District increased \$816,291 during the year.
- The District added \$259,897 in new capital assets during the year.
- The District added \$51,742 in capital leases, and paid down \$307,431 of previous capital lease obligations.
- The District received \$242,040 from Cedar Hills City as their final buyout to leave the District.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lone Peak Public Safety District's basic financial statements. Lone Peak Public Safety District's basic financial statements comprise of 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 the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference of the two reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating. However, you will also need to consider other non-financial factors.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by charges for services and intergovernmental revenues. All of the District's basic services are considered to be government-type activities, including administrative, police, fire and EMS.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund Financial Statements – A *fund* is a grouping or related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as *government 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*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing 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 the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one governmental fund, the general fund, which includes general and administrative operating expenses, debt service and capital outlays.

**LONE PEAK PUBLIC SAFETY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

The District adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget and can be found on page 13 of this report. The basic governmental fund financial statements can be found on pages 9-12 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 14 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,019,489 at the close of the most recent fiscal year.

The District’s net position reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services; consequently, these assets are *not* available for future spending. Although the 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. The carrying value of the assets exceeds the debt related to the capital assets.

	Governmental Activities		
	2020	2019	Change
Current and other assets	\$ 2,375,658	\$ 690,898	\$ 1,684,760
Capital assets	1,600,735	1,737,588	(136,853)
Total assets	3,976,393	2,428,486	1,547,907
Deferred outflows of resources	1,170,037	1,731,226	(561,189)
Current liabilities	1,462,649	797,180	665,469
Noncurrent liabilities	1,940,088	3,017,913	(1,077,825)
Total liabilities	3,402,737	3,815,093	(412,356)
Deferred inflows of resources	724,204	141,421	582,783
Net position:			
Net investment in capital assets	393,770	274,934	118,836
Unrestricted (deficit)	625,719	(71,736)	697,455
Total net position	\$ 1,019,489	\$ 203,198	\$ 816,291

Governmental Activities

Unrestricted net position may be used to meet the District’s ongoing obligation to citizens and creditors. The District’s unrestricted net position was \$625,719 as of June 30, 2020.

The District’s total net position increased by \$816,291 during the current fiscal year. The increase is mainly attributable to increases in operating grants and contributions related to the Coronavirus Relief Funds received from Highland City of \$813,773, and the final buyout funds received from Cedar Hills City’s exit from the District of \$242,040.

**LONE PEAK PUBLIC SAFETY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

A summary of the District's change in net position from the prior is below:

	Governmental Activities		
	2020	2019	Change
Program revenues:			
Charges for services	\$ 6,410,464	\$ 6,971,356	\$ (560,892)
Operating grants and contributions	1,052,105	87,956	964,149
Capital grants and contributions	-	-	-
General revenues:			
Other revenues	277,712	35,049	242,663
Total revenues	<u>7,740,281</u>	<u>7,094,361</u>	<u>645,920</u>
Program expenses:			
Total expenses	<u>6,923,990</u>	<u>6,800,263</u>	<u>123,727</u>
Total expenses	<u>6,923,990</u>	<u>6,800,263</u>	<u>123,727</u>
Increase (Decrease) in Net Position	816,291	294,098	522,193
Net Position - Beginning	<u>203,198</u>	<u>(90,900)</u>	<u>294,098</u>
Net Position - Ending	<u>\$ 1,019,489</u>	<u>\$ 203,198</u>	<u>\$ 816,291</u>

Financial Analysis of the Government's Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District accounts for all activities in the general fund, which is a governmental fund.

The focus of the District's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unrestricted fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$879,957, an increase of \$569,557 in comparison with the prior year. Portions of the fund balance are assigned to Administration, and Police, thus resulting in a negative unassigned fund balance, and no remainder assigned to Fire & EMS.

General Fund Budgetary Highlights

During the fiscal year, the original budgeted expenditure total of \$6,977,317 was amended to a final budget of \$7,067,315, an overall increase of \$89,998. The increase in the budget was due to police station remodeling project undertaken during the year.

Debt and Capital Asset Administration

Debt – During the year, the District entered into a new lease and paid off two leases. At the end of fiscal year 2020, the District has 9 leases outstanding with a total outstanding balance of \$1,206,965. Additional information of the District's debt can be found in Note 5 on page 31 of this report.

**LONE PEAK PUBLIC SAFETY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

Capital Assets – The District’s investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$1,600,735 (net of accumulated depreciation). This investment in capital assets includes construction in process, buildings, and vehicles. The District’s investment in fixed assets for the current year decreased by a net of \$136,853 due to the following events occurring during the current fiscal year:

- Depreciation charged to expense reduced assets by \$322,232.
- Net purchases and disposals increased assets by \$185,379.

Additional information on the District’s capital assets can be found in Note 3 on page 19 of this report.

Economic Factors and Next Year’s Budget and Rates

The District’s budget for total expenditures for the fiscal year ending June 30, 2021 reflects an overall decrease in expenditures as a result of paying off two of the leases during fiscal year 2020.

The District will continue to monitor the effects of the COVID-19 global pandemic on its operations.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for those with an interest in the government’s finances. Questions or requests for additional information should be addressed to District, Attn: Finance Director, Lone Peak Public Safety District, 5400 W Civic Center Blvd. Suite #1, Highland, UT 84003

BASIC FINANCIAL STATEMENTS

LONE PEAK PUBLIC SAFETY DISTRICT
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,059,805
Accounts receivable	92,694
Grants receivable	<u>813,773</u>
Total Current Assets	<u>1,966,272</u>
Noncurrent Assets:	
Capital assets, not depreciated	7,542
Capital assets, net of accumulated depreciation	1,593,193
Net pension asset	<u>409,386</u>
Total Noncurrent Assets	<u>2,010,121</u>
Total Assets	<u>3,976,393</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources relating to pensions	<u>1,170,037</u>
Total Deferred Outflows of Resources	<u>1,170,037</u>
Total Assets & Deferred Outflows of Resources	<u>5,146,430</u>
LIABILITIES	
Current Liabilities	
Accounts payable	137,819
Unearned revenue	813,773
Accrued interest	39,900
Accrued wages	25,836
Accrued liabilities	20,235
Noncurrent liabilities due within one year	<u>425,086</u>
Total Current Liabilities	1,462,649
Noncurrent Liabilities:	
Noncurrent liabilities due in more than one year	998,000
Net pension liability	<u>942,088</u>
Total Noncurrent Liabilities	<u>1,940,088</u>
Total Liabilities	3,402,737
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Relating to Pensions	<u>724,204</u>
Total Deferred Inflows of Resources	<u>724,204</u>
Total Liabilities and Deferred Inflows of Resources	4,126,941
NET POSITION	
Net investment in capital assets	393,770
Unrestricted	<u>625,719</u>
Total Net Position	<u>\$ 1,019,489</u>

The accompanying notes are an integral part of these financial statements.

**LONE PEAK PUBLIC SAFETY DISTRICT
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Governmental Activities:	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Administrative	\$ 186,311	\$ 226,314	\$ -	\$ -	\$ 40,003
Police	3,032,085	3,078,290	417,448	-	463,653
Fire and EMS	3,705,594	3,105,860	634,657	-	34,923
Total Governmental Activities	\$ 6,923,990	\$ 6,410,464	\$ 1,052,105	\$ -	538,579
General Revenues:					
					477
					30,347
					242,040
					4,848
					277,712
					816,291
					203,198
					\$ 1,019,489

The accompanying notes are an integral part of these financial statements.

**LONE PEAK PUBLIC SAFETY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2020**

	General Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 1,059,805
Accounts receivable	92,694
Grants receivable	813,773
Total Current Assets	1,966,272
Total Assets	1,966,272
Liabilities and Fund Balances	
Liabilities:	
Current Liabilities	
Accounts payable	137,819
Unearned Revenue	813,773
Accrued wages	25,836
Accrued liabilities	20,235
Total Current Liabilities	997,663
Total Liabilities	997,663
Deferred inflows of resource - unavailable revenue	88,652
Total Liabilities and Deferred Inflows of Resources	1,086,315
Fund Balances:	
Assigned to:	
Administration	368,887
Police	857,339
Fire & EMS	-
Unassigned	(346,269)
Total Fund Balances	879,957
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,966,272

The accompanying notes are an integral part of these financial statements.

**LONE PEAK PUBLIC SAFETY DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds	\$ 879,957
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund.	1,600,735
Interest payable is not due and payable in the current period and, therefore is not recorded in the fund.	(39,900)
Governmental funds revenue are limited to 60 day period of availability, however, the statement of activities and statement of net position are not limited to a period of availability.	88,652
Pension obligations, including the net pension asset, net pension liability, and deferred inflows and outflows of resources relating to pensions, are not obligations of the current period and, therefore, are not recorded in the fund.	(86,869)
Long-term liabilities are not due and payable in the current period and, therefore, are not recorded in the fund.	<u>(1,423,086)</u>
Total net position - governmental activities	<u><u>\$ 1,019,489</u></u>

The accompanying notes are an integral part of these financial statements.

**LONE PEAK PUBLIC SAFETY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
For The Year Ended June 30, 2020**

	<u>General Fund</u>
Revenues:	
Administration	
Charges for services	\$ 226,314
Interest income	477
Miscellaneous income	122
Cedar Hills buyout	242,040
Police	
Charges for services	3,073,276
Court revenues	224
Report charges	4,810
Grants	417,448
Miscellaneous income	22,407
Fire and EMS	
Charges for services	2,567,710
Ambulance charges	343,076
Grants	438,247
Reimbursement for aid provided	154,527
Miscellaneous income	7,798
Total Revenues	<u>7,498,476</u>
Expenditures:	
Administration	186,311
Police	3,559,250
Fire and EMS	3,314,465
Total Expenditures	<u>7,060,026</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>438,450</u>
Other Financing Sources (Uses):	
Proceeds from sale of asset	79,365
Proceeds from lease	51,742
Total Other Financing Sources (Uses)	<u>131,107</u>
Net Change in Fund Balances	569,557
Fund Balance, Beginning	<u>310,400</u>
Fund Balance, Ending	<u>\$ 879,957</u>

The accompanying notes are an integral part of these financial statements.

**LONE PEAK PUBLIC SAFETY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 569,557
<p>Governmental funds have reported capital outlays, past and present, 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.</p>	
Capital Outlay	259,897
Depreciation	(322,233)
<p>Disposal of capital assets result in gains or losses in the statement of activities, whereas only the proceeds from the sale of capital assets are included in the governmental funds.</p>	
Net book value of assets disposed	(74,517)
<p>Governmental funds have reported principal payments on debt during the current year as expenditures. However in the statement of activities these payments reduce the principal balance of the debt.</p>	
	307,431
<p>In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, interest expense is reported when due and paid.</p>	
	11,999
<p>In the statement of activities, proceeds from issued leases are recorded as a long-term debt, whereas in governmental funds, proceeds from leases issued are recorded as an other financing source.</p>	
	(51,742)
<p>Governmental funds revenue are limited to 60 day period of availability, however, the statement of activities and statement of net position are not limited to a period of availability.</p>	
	40,547
<p>The changes in pension-related balances, including net pension liability, net pension asset, deferred inflows and outflows of resources relating to pensions are recorded in the statement of activities, but as they are not current financial resources, are not reported in the governmental funds.</p>	
	95,319
<p>Compensated absence balances are reported in the statement of activities when earned, but do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	<u>(19,967)</u>
Change in net position of governmental activities	<u><u>\$ 816,291</u></u>

The accompanying notes are an integral part of these financial statements.

LONE PEAK PUBLIC SAFETY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>final budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Administration				
Charges for services	226,316	\$ 226,316	\$ 226,314	\$ (2)
Interest income	450	450	477	27
Miscellaneous income	50	50	122	72
Cedar Hills buyout	-	-	242,040	242,040
Police				
Charges for services	3,452,831	3,452,831	3,073,276	(379,555)
Court revenues	500	500	224	(276)
Report charges	3,500	3,500	4,810	1,310
Grants	7,000	7,000	417,448	410,448
Miscellaneous income	2,000	2,000	22,407	20,407
Fire and EMS				
Charges for services	2,997,608	2,997,608	2,567,710	(429,898)
Ambulance charges	272,262	272,262	343,076	70,814
Grants	4,800	4,800	438,247	433,447
Reimbursement for aid provided	-	-	154,527	154,527
Miscellaneous income	-	-	7,798	7,798
Total Revenues	<u>6,967,317</u>	<u>6,967,317</u>	<u>7,498,476</u>	<u>531,159</u>
Expenditures:				
Administration	226,815	226,815	186,311	40,504
Police	3,475,832	3,565,830	3,559,250	6,580
Fire and EMS	3,274,670	3,274,670	3,314,465	(39,795)
Total Expenditures	<u>6,977,317</u>	<u>7,067,315</u>	<u>7,060,026</u>	<u>7,289</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,000)</u>	<u>(99,998)</u>	<u>438,450</u>	<u>523,870</u>
Other Financing Sources (Uses):				
Proceeds from sale of asset	10,000	10,000	79,365	69,365
Proceeds from lease	-	-	51,742	51,742
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>131,107</u>	<u>121,107</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (89,998)</u>	<u>569,557</u>	<u>\$ 644,977</u>
Fund Balance, Beginning			<u>310,400</u>	
Fund Balance, Ending			<u>\$ 879,957</u>	

The accompanying notes are an integral part of these financial statements.

LONE PEAK PUBLIC SAFETY DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

The Lone Peak Public Safety District (the District) was organized by the cities of Alpine and Highland as a fire and emergency medical services (EMS) district on January 1, 1996. On July 1, 1996, the District added a police department. In 2002, the town of Cedar Hills joined the District as a member of the fire and EMS portions. In 2019 Cedar Hills opted to leave the District, leaving Alpine and Highland as the remaining members of the District. The District was formed as an interlocal agreement rather than a taxing district and as such the financial activities of the District are funded by direct payments from the member cities and allocated on a population basis. User charges for services provided and one-time grants also help fund the District's cost of services. The District accounts for its operations as a governmental-type fund.

The District is governed by a Board of Public Safety Commissioners (Board) composed of two elected or appointed officials from Alpine and Highland City for a total of four board members.

Summary of Significant Accounting Policies

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

The following is a summary of the more significant policies.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the *Statement of Net Position* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the District. Governmental activities are supported by charges for services, contributions, and intergovernmental revenues.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those which 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) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported as general revenues.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the District are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

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 sixty 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 claims and judgments, are recorded only when payment is due.

Grants associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District accounts for all transactions in the general fund, which is a governmental fund.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased. The District considers its deposits in the Public Treasurer's Investment Pool (PTIF) to be considered cash and cash equivalents. Investments or other deposits with maturities of one year or less are stated at amortized cost, which approximates fair value.

Accounts Receivable

The accounts receivable balance are stated at the amount management expects to collect from outstanding balances. Management has estimated the allowance for bad debts to be \$36,048 as of the end of the fiscal year.

Capital Assets

Capital assets, which include real property and various types of equipment, are reported in the government-wide financial statements. 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 one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date received if donated.

Major purchases are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets, are charged to expense.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Machinery and Equipment	3 – 40 years
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Compensated Absences

Amounts of accumulated vacation are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. No more than 30 days of vacation may be carried forward. Governmental funds report an expenditure as the vacation is paid. Employees may also accumulate sick leave. However, no accumulated, unused sick leave will be paid at termination. As a result, there is no accrual for unpaid sick leave.

LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Long-term Debt Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the governmental fund financial statements, bond issuance costs are recognized as expenditures when the debt is issued. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources relating to pensions.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources relating to pensions.

At the general fund level, the District also reports deferred inflows of resources for unavailable revenue related to services provided during the fiscal year, but not received until after the period of availability. Those unavailable revenues are reported as earned in the statement of activities.

Fund Balances

The District classifies fund balances in the governmental funds as follows, when applicable: Nonspendable, Restricted, Committed, Assigned or Unassigned.

- *Nonspendable* – This component of fund balance includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to remain intact (such as endowments).
- *Restricted* – This component of fund balance includes amounts with restrictions placed on the use either by (a) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or (b) law through constitutional provisions or enabling legislation.
- *Committed* – This is a component of *unrestricted* fund balance and includes amounts that can only be used for specific purposes pursuant to constraints imposed by resolution of the Board and remain binding unless removed in the same manner.
- *Assigned* – This is a component of *unrestricted* fund balance and includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed, as established by members the Board or members of management.

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

- *Unassigned* – This is a component of *unrestricted* fund balance and is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes.

When faced with a choice, the District elects to use restricted, committed, and assigned amounts before spending any unassigned amounts.

Net Position

The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is reported as net position on the government-wide financial statements and fund balance on the governmental fund statements.

The District's net position is classified as follows:

- *Net investment in capital assets* – This component of net position consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- *Restricted* – This component of net position consists of net position that are restricted by debt agreements or otherwise restricted by outside parties.
- *Unrestricted* – This component of net position consists of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Under Utah State Law, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events. A public hearing must be held to increase the total appropriations for the governmental fund. The District follows these procedures in establishing the budgetary information reflected in the financial statements.

1. By the first regular scheduled board meeting in May, the District Director submits to the Board a proposed operating budget for the year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Between May 1 and June 22, the members' District Board review and adjust the proposed budget.
3. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Because the District budget is funded by available revenue of the member cities, and the member cities prefer to maintain their own cash balances, only a minimal amount of excess cash remains with the District in fund balances for emergencies. Should additional revenue be required, the member cities could be asked to contribute additional amounts.

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 2 CASH AND CASH EQUIVALENTS

The District's deposit and investment policy is to follow the Utah Money Management Act (the Act) and rules by the Utah Money Management Council, however, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

As of June 30, 2020, the District had the following deposits and investments:

Cash and cash equivalents	
Cash on hand and deposits	\$ 1,031,263
Public Treasurer's Investment Fund	<u>28,542</u>
Total cash and cash equivalents	<u>\$ 1,059,805</u>

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and investment transactions. This law requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and that has been certified by the state commissioner of financial institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also governs the scope of securities allowed as appropriate investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The District's cash and cash equivalents are exposed to certain risks as outlined below:

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure by investing mainly in the Utah Public Treasurer's Investment Fund and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity may not exceed the period of availability of the funds to be invested.

Custodial credit risk – 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. As of June 30, 2020, \$834,196 of the District's bank balances of \$1,084,196 were uninsured and uncollateralized.

Credit risk is the risk that an issuer or other 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 Utah Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issues of the investment securities.

The District invests in the Utah Public Treasurer's Investment Pool (PTIF), which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). The PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. As of June 30, 2020, the Utah Public Treasurer's Investment Fund was unrated. The maximum weighted average life of the portfolio does not exceed 90 days.

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participants' share to the total funds in the PTIF based on the participants' average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available from the Utah State Treasurer's Office.

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs

For the year ended June 30, 2020, the District had deposits of \$28,542 with the PTIF. The fair value of these investments was \$28,612. The PTIF investment is considered a *Level 2* investment. Because the difference between the fair value and the reported amount is minimal, the reported value is deemed to be the fair value.

NOTE 3 CAPITAL ASSETS

The following summarizes the District's capital assets:

	June 30, 2019	Additions	Disposals	June 30, 2020
Capital assets not being depreciated:				
Construction in process	\$ -	\$ 7,542		\$ 7,542
Total assets not being depreciated	-	7,542	-	7,542
Capital assets being depreciated:				
Police equipment	1,164,864	184,885	(22,840)	1,326,909
Fire/EMS equipment	3,376,326	67,470	(204,321)	3,239,475
Total capital assets being depreciated:	4,541,190	252,355	(227,161)	4,566,384
Less accumulated depreciation	(2,803,602)	(322,232)	152,643	(2,973,191)
Total capital assets being depreciated, net of accumulated depreciation	1,737,588	(69,877)	(74,518)	1,593,193
Total capital assets, net	<u>\$ 1,737,588</u>	<u>\$ (62,335)</u>	<u>\$ (74,518)</u>	<u>\$ 1,600,735</u>

Depreciation was charged to the functions/programs of the District for the year ended June 30, 2020 as follows:

Police	\$ 113,170
Fire and EMS	<u>209,062</u>
Total Depreciation Expense	<u>\$ 322,232</u>

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Firefighters Retirement System (Firefighters System); are multiple-employer, cost sharing, public employee retirement systems.
- Public Safety Retirement System (Public Safety System) is a cost-sharing, multiple-employer public employee retirement system.
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple-employer, cost-sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S. Salt Lake City, Utah 84102 or visiting the website: www.urs.org/general/publications.

Benefits Provided

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

Summary of Benefits by System

System	Final Average Salary	Years of Service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* Actuarial reductions are applied.

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2020 are as follows:

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

Utah Retirement System	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Government Div - Tier 2	N/A	15.66%	1.03%
Noncontributory System			
15 - Local Governmental Div - Tier 1	N/A	18.47%	N/A
Public Safety Retirement System			
Contributory			
122 - Tier 2 DB Hybrid Public System	N/A	27.32%	0.70%
Noncontributory			
76 - Other Division B with 4% COLA	N/A	38.97%	N/A
Firefighters Retirement System			
32 - Other Division B	16.71%	7.24%	N/A
132 - Tier 2 DB Hybrid Firefighters	N/A	11.38%	0.70%
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%
222 - Public Safety	N/A	16.02%	12.00%
232 - Firefighters	N/A	0.08%	12.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 44,723	N/A
Public Safety System	301,007	-
Firefighters System	40,616	93,741
Tier 2 Public Safety and Firefighter	150,553	-
Tier 2 DC Public Safety and Firefighter System	4,103	N/A
Total Contributions	\$ 541,002	\$ 93,741

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Relating to Pensions

At June 30, 2020, we reported a net pension asset of \$409,386 and a net pension liability of \$942,088.

System	(Measurement Date): December 31, 2019			Proportionate Share December 31, 2018	Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share		
Noncontributory System	\$ -	\$ 90,989	0.0241423%	0.0234613%	0.0006810%
Public Safety System	-	809,374	1.6298304%	1.7514353%	-0.1216049%
Firefighters System	409,386	-	0.6546887%	0.5137804%	0.1409083%
Tier 2 Public Safety and Firefighter System	-	41,725	0.4435813%	0.4573848%	-0.0138035%
Total Net Pension Asset / Liability	<u>\$ 409,386</u>	<u>\$ 942,088</u>			

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2020 we recognized pension expense of \$445,635.

At June 30, 2020 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 554,485	\$ 68,011
Changes in assumptions	305,250	16,090
Net difference between projected and actual earnings on pension plan investments	-	613,870
Changes in proportion and differences between contributions and proportionate share of contributions	44,475	26,233
Contributions subsequent to the measurement date	<u>265,827</u>	<u>-</u>
Total	<u>\$ 1,170,037</u>	<u>\$ 724,204</u>

\$265,827 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2020	\$ 167,730
2021	121,025
2022	97,113
2023	(231,298)
2024	2,233
Thereafter	23,203

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020 we recognized pension expense of \$53,598.

At June 30, 2020 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

<u></u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,277	\$ 1,307
Changes in assumptions	9,637	-
Net difference between projected and actual earnings on pension plan investments	-	46,014
Changes in proportion and differences between contributions and proportionate share of contributions	12,142	-
Contributions subsequent to the measurement date	<u>22,659</u>	<u>-</u>
Total	<u>\$ 52,715</u>	<u>\$ 47,321</u>

\$22,659 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ 5,116
2021	(6,669)
2022	1,781
2023	(17,493)
2024	-
Thereafter	-

Public Safety System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020 we recognized pension expense of \$437,742.

At June 30, 2020 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 533,734	\$ -
Changes in assumptions	163,849	3,683
Net difference between projected and actual earnings on pension plan investments	-	298,214
Changes in proportion and differences between contributions and proportionate share of contributions	14,715	25,074
Contributions subsequent to the measurement date	148,446	-
Total	<u>\$ 860,744</u>	<u>\$ 326,971</u>

\$22,659 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ 244,998
2021	169,447
2022	85,205
2023	(114,323)
2024	-
Thereafter	-

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

Firefighters System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020 we recognized pension expense of (\$169,195).

At June 30, 2020 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 66,690
Changes in assumptions	121,854	12,030
Net difference between projected and actual earnings on pension plan investments	-	259,386
Changes in proportion and differences between contributions and proportionate share of contributions	4,352	265
Contributions subsequent to the measurement date	20,308	-
Total	\$ 146,514	\$ 338,371

\$20,308 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ (81,899)
2021	(41,446)
2022	8,854
2023	(97,674)
2024	-
Thereafter	-

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020 we recognized pension expense of (\$1).

At June 30, 2020 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	82	100
Contributions subsequent to the measurement date	-	-
Total	\$ 82	\$ 100

\$0 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ (1)
2021	(1)
2022	(1)
2023	(1)
2024	(1)
Thereafter	(13)

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

Tier 2 Public Safety and Firefighter Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2020 we recognized pension expense of \$123,490.

At June 30, 2020 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,474	\$ 14
Changes in assumptions	9,910	377
Net difference between projected and actual earnings on pension plan investments	-	10,256
Changes in proportion and differences between contributions and proportionate share of contributions	13,184	794
Contributions subsequent to the measurement date	74,414	-
Total	\$ 109,982	\$ 11,441

\$74,414 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ (484)
2021	(307)
2022	1,273
2023	(1,807)
2024	2,233
Thereafter	23,219

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 – 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

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

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

The actuarial assumptions used in the January 1, 2019, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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

	Expected Return Arithmetic Basis		
Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 4 PENSION (Continued)

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.95 percent) or 1 percentage point higher (7.95 percent) than the current rate:

<u>System</u>	<u>1% Decrease (5.95%)</u>	<u>Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
Noncontributory System	\$ 354,070	\$ 172,763	\$ 21,781
Public Safety System	2,805,546	1,380,124	217,481
Firefighters System	934,426	207,645	(390,115)
Tier 2 Public Safety and Firefighter	86,439	11,460	(45,917)
Total	\$ 4,180,481	\$ 1,771,992	\$ (196,770)

Pension Plan Fiduciary Net Position

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

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b), and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Lone Peak Public Safety District participates in the following Defined Contribution Savings Plans with the Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
401(k) Plan			
Employer Contributions	\$ 183,445	\$ 116,053	\$ 101,943
Employee Contributions	77,180	51,420	47,981
457 Plan			
Employer Contributions	-	35	-
Employee Contributions	26,238	22,655	20,245
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	20,641	18,636	13,757

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 5 LONG-TERM DEBT AND COMPENSATED ABSENCES

The District has entered into lease agreements, as the lessee, to finance the acquisition of equipment. 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. All District lease contracts contain a fiscal non-funding clause, which gives the Board the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of the District's management, the likelihood of this clause being exercised is remote.

The following is a summary of the changes in long-term debt obligations and compensated absences for the year ended June 30, 2020:

	June 30, 2019	Increases	Decreases	June 30, 2020	Due within one year
<i>Direct borrowings</i>					
Capital Leases Obligations	\$ 1,462,654	\$ 51,742	\$ (307,431)	\$ 1,206,965	\$262,593
<i>Other Long-term liabilities</i>					
Compensated Absences	196,154	136,625	(116,658)	216,121	162,493
Net pension liability	1,771,992	-	(829,904)	942,088	-
Total Long-term liabilities	<u>\$ 1,887,830</u>	<u>\$ 188,367</u>	<u>\$ (424,089)</u>	<u>\$ 1,423,086</u>	<u>\$425,086</u>

As of June 30, 2020, assets recorded under the leases are various trucks, vehicles and equipment with original cost of \$2,310,714 and recorded accumulated depreciation of \$1,385,644. Interest charged to Police, and Fire and EMS functions for the year ended June 30, 2020 was \$2,159, and \$44,795, respectively for a total of \$46,954.

The following is a schedule by years of future minimum payments required under the lease together with its present value as of June 30, 2020:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ 313,448
2022	274,049
2023	243,362
2024	197,696
2025	197,696
2026 - 2028	<u>153,459</u>
Total minimum lease payments	1,379,710
Less amount representing interest	<u>(172,745)</u>
Present value of minimum lease payments (including amounts classified as current)	<u>\$ 1,206,965</u>

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 5 LONG-TERM DEBT AND COMPENSATED ABSENCES (Continued)

Principal remaining under the leases at June 30, 2020 is as follows:

Fire truck lease, original amount of \$836,000, lease payments due in annual installments of \$84,882 including interest at 5.85% beginning July 2010, with the final payment due July 2024.	\$ 359,019
Pierce transport engine lease, original amount of \$589,148, lease payments due in annual installments of \$51,153 including interest at 3.50% beginning October 2013, with the final payment due October 2027.	351,621
Ambulance and Extraction Equipment lease, original amount of \$197,888, initial lease payment of \$7,800 due at signing, with remaining lease payments due in annual installments of \$25,310 (fiscal years 2016 - 2020) and \$19,353 (fiscal years 2021 - 2025), including interest at 3.25% beginning July 2014, with the final payment due July 2024.	88,003
Wildland firetruck lease, original amount of \$350,000, lease payments due in annual installments of \$39,572 including interest at 2.63% beginning August 2015, with the final payment due August 2024.	183,158
Police vehicles and motorcycle lease, original amount of \$153,724, lease payments due in annual installments of \$33,098 including interest at 2.51% beginning November 2016, with the final payment due November 2020.	32,288
Defibrillator and thermal imaging equipment lease, original amount of \$48,202, lease payments due in annual installments of \$6,937 including interest at 2.53% beginning September 2016, with the final payment due September 2021.	13,365
Police vehicles and radios lease, original amount of \$112,302, lease payments due in annual installments of \$24,421 including interest at 3.57% beginning July 2018, with the final payment due July 2022.	68,327
Fire department vehicles lease, original amount of \$97,698, lease payments due in annual installments of \$21,245 including interest at 3.57% beginning July 2018, with the final payment due July 2022.	59,442
Police vehicles and equipment lease, original amount of \$151,230, lease payments due in annual installments of \$32,786 including interest at 2.75% beginning February 2021, with the final payment due February 2025.	51,742
	\$ 1,206,965

In addition to these capital leases, the District has an operating lease for two police motorcycles for a period of two years, beginning March 2020 and terminating in March 2022. The lease payments were made up-front for \$14,400 – no other payments are required for the length of the lease. Total lease expense for this operating lease for the year ended June 30, 2020 was \$14,400.

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

NOTE 6 ECONOMIC DEPENDENCY

Each year, the cities are assessed their share of the departmental budgets as follows:

- The fees for the Fire, Ambulance, and EMS budgets are assessed 10% equally among the participating cities, 45% based on pro rata population, and the remaining 45% based on pro rata Equivalent Residential Units (which is a count of each residential unit, each 10,000 square foot retail space, and each 10,000 square foot portion of any other non-residence structure).
- The fees for the Administration and Police budgets are based on pro rata population.

The table below summarizes the financial support from each of the member cities Alpine, Highland, and Cedar Hills:

	<u>Admin</u>	<u>Police</u>	<u>Fire/EMS</u>	<u>Total</u>	<u>% of Total</u>
Alpine City	\$ 77,649	\$ 1,192,727	\$ 1,133,428	\$2,403,804	32%
Highland City	148,665	1,799,589	1,424,922	3,373,176	45%
Total financial support from member cities				<u>5,776,980</u>	77%
Total Revenues of Lone Peak Public Safety District				7,498,476	

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which it carries insurance. Liability, property and casualty, and workman's compensation insurance are all carried by the District through Utah Local Governments Trust. 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.

REQUIRED SUPPLEMENTARY INFORMATION

LONE PEAK PUBLIC SAFETY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
December 31, 2019
Last 10 Fiscal Years*

As of December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Noncontributory Retirement System					
2019	0.0241423%	\$ 90,989	\$ 313,979	28.98%	93.70%
2018	0.0234613%	172,763	284,974	60.62%	87.00%
2017	0.0209016%	91,576	212,918	43.01%	91.90%
2016	0.0168761%	108,365	175,955	61.59%	87.30%
2015	0.0164742%	93,219	165,402	56.36%	87.80%
2014	0.0188575%	81,884	185,104	44.20%	90.20%
Public Safety System					
2019	1.6298304%	\$ 809,374	\$ 760,023	106.49%	91.70%
2018	1.7514353%	1,380,124	831,077	166.06%	85.60%
2017	1.5961116%	771,247	775,599	99.44%	90.50%
2016	1.6271805%	1,014,217	868,524	116.77%	86.10%
2015	1.6047187%	783,025	841,842	93.01%	87.60%
2014	1.6625003%	657,407	910,740	72.20%	89.00%
Firefighters Retirement System					
2019	0.6546887%	\$ (409,386)	\$ 538,473	-76.03%	105.80%
2018	0.5137804%	207,645	418,013	49.67%	96.10%
2017	0.5728708%	(128,515)	530,755	-24.21%	102.30%
2016	0.6150544%	90,977	709,365	12.83%	98.40%
2015	0.5874324%	99,956	662,574	15.09%	98.10%
2014	0.5442028%	(59,888)	618,617	-9.70%	101.30%

(Schedule continues on next page)

LONE PEAK PUBLIC SAFETY DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(Continued)
December 31, 2019
Last 10 Fiscal Years*

As of December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Tier 2 Public Employees Retirement System					
2019	0.0000000%	\$ -	\$ -	0.00%	0.0%
2018	0.0000000%	-	-	0.00%	90.80%
2017	0.0007516%	66	7,450	0.89%	97.40%
2016	0.0000000%	-	-	0.00%	0.00%
2015	0.0000000%	-	-	0.00%	0.00%
2014	0.0000000%	-	-	0.00%	0.00%
Tier 2 Public Safety and Firefighters Retirements					
2019	0.4435813%	\$ 41,725	\$ 731,130	5.71%	89.60%
2018	0.4573848%	11,460	611,304	1.87%	95.60%
2017	0.5130109%	(5,936)	541,383	-1.10%	103.00%
2016	0.6098233%	(5,294)	503,855	-1.05%	103.60%
2015	0.7250423%	(10,593)	431,457	-2.46%	110.70%
2014	0.5553157%	(8,215)	229,897	-3.60%	120.50%

** In accordance with paragraph 81.a of GASB 68, this schedule will be built out prospectively to show a 10-year history.*

**LONE PEAK PUBLIC SAFETY DISTRICT
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years ***

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
Noncontributory System					
2020	\$ 44,723	\$ 44,723	\$ -	\$ 321,752	13.90%
2019	42,042	42,042	-	305,917	13.74%
2018	40,190	40,190	-	252,492	15.92%
2017	30,719	30,719	-	187,211	16.41%
2016	27,074	27,074	-	164,524	16.46%
2015	29,047	29,047	-	175,042	16.59%
2014	28,127	28,127	-	183,282	15.35%
Public Safety System					
2020	\$ 301,007	\$ 301,007	\$ -	\$ 772,407	38.97%
2019	308,344	308,344	-	791,233	38.97%
2018	319,760	319,760	-	821,161	38.94%
2017	297,087	297,087	-	822,123	36.14%
2016	294,707	294,707	-	828,298	35.58%
2015	310,487	310,487	-	867,484	35.79%
2014	320,701	320,701	-	921,461	34.80%
Firefighters System					
2020	\$ 40,616	\$ 40,616	\$ -	\$ 560,991	7.24%
2019	36,080	36,080	-	498,344	7.24%
2018	27,954	27,954	-	421,187	6.64%
2017	33,872	33,872	-	648,686	5.22%
2016	35,388	35,388	-	693,464	5.10%
2015	30,975	30,975	-	635,938	4.87%
2014	18,237	18,237	-	575,728	3.17%
Tier 2 Public Employees System**					
2020	\$ -	\$ -	\$ -	\$ -	0.00%
2019	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2017	1,111	1,111	-	7,450	14.91%
2016	-	-	-	-	0.00%
2015	-	-	-	-	0.00%
2014	-	-	-	-	0.00%

(Schedule continues on next page)

**LONE PEAK PUBLIC SAFETY DISTRICT
SCHEDULE OF CONTRIBUTIONS (Continued)
Last 10 Fiscal Years ***

As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
Tier 2 Public Safety and Firefighter System**					
2020	\$ 150,553	\$ 150,553	\$ -	\$ 744,245	20.23%
2019	134,847	134,847	-	686,930	19.63%
2018	111,881	111,881	-	582,283	19.21%
2017	91,680	91,680	-	501,410	18.28%
2016	89,968	89,968	-	475,610	18.92%
2015	59,683	59,683	-	337,163	17.70%
2014	29,656	29,656	-	165,093	17.96%
Tier 2 Public Safety and Firefighter System DC Only System **					
2020	\$ 4,103	\$ 4,103	\$ -	\$ 71,307	5.75%
2019	21	21	-	26,622	0.08%
2018	18	18	-	22,914	0.08%
2017	36	36	-	44,674	0.08%
2016	28	28	-	34,941	0.08%
2015	-	-	-	-	0.00%
2014	-	-	-	-	0.00%

* In accordance with paragraph 81.a of GASB 68, this schedule will be built out prospectively to show a 10-year history.

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

LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For Fiscal Year Ended June 30, 2019

NOTE 1 CHANGES OF ASSUMPTIONS

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier I Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

SUPPLEMENTAL REPORTS



KEDDINGTON & CHRISTENSEN, CPAS

CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA

Phyl R. Warnock, CPA

Marcus K. Arbuckle, CPA

Steven M. Rowley, CPA

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

Board of Trustees
Lone Peak Public Safety District
Highland, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Lone Peak Public Safety District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Lone Peak Public Safety District's Response to Findings

The District's response to the finding identified in our audit is described in the corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Keddington & Christensen, LLC

Salt Lake City, Utah
January 7, 2021



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Lone Peak Public Safety District
Highland, Utah

Report on Compliance for Each Major Federal Program

We have audited the Lone Peak Public Safety District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lone Peak Public Safety District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Keddington & Christensen, LLC

Salt Lake City, Utah
January 7, 2021

**LONE PEAK PUBLIC SAFETY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 2. Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. Identification of major federal program: | |

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
21.019	Coronavirus Relief Funds

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

Section II - Financial Statement Findings

2020-001: Financial Close and Reporting (Material Weakness)

Condition: During our audit material adjustments were required to bring the District's financial statements into compliance with generally accepted accounting principles.

Criteria: Utah Code Annotated (UCA) 11-13-504 states: "An interlocal entity shall maintain the interlocal entity's accounting records, and financial statements prepared from those records, as required by generally accepted accounting principles."

Cause: Reconciliations were not performed for the following significant balance sheet areas:

- Ambulance accounts receivable
- Allowance for doubtful accounts
- Grants receivable
- Prepaid expenses
- Lease payables
- Deferred inflows of resources relating to unavailable ambulance revenues

**LONE PEAK PUBLIC SAFETY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2020**

2020-001: Financial Close and Reporting (Material Weakness) (Continued)

Effect: Material audit adjustments were required to be made to above mentioned significant balance sheet areas which also impacted amounts reported in the statement of revenues, expenditures and changes in fund balance and statement of activities.

Recommendation: We recommend the District staff prepare reconciliations for all significant balance sheet accounts in preparation of closing out the fiscal year. We also recommend the District implement policies or procedures to ensure that the District's accounting records are maintained in accordance with generally accepted accounting principles.

Section III - Federal Award Findings and Questioned Costs

None

**LONE PEAK PUBLIC SAFETY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of the Treasury (USDT) Highland City - Coronavirus Relief Funds	21.019	None	\$ -	\$ 813,773
Total USDT			<u>-</u>	<u>813,773</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 813,773</u>

Reconciliation of the Schedule of Expenditures of Federal Awards to the Statement of Revenues, Expenditures, and Changes in Fund Balance

Federal grant revenues	\$ 813,773
State and other local grants	<u>41,922</u>
Total grant revenues	<u>\$ 855,695</u>
Police - Grants revenue	\$ 417,448
Fire and EM - Grants revenue	<u>438,247</u>
Total as reported in the statement of revenues, expenditures, and changes in fund balance	<u>\$ 855,695</u>

**LONE PEAK PUBLIC SAFETY DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lone Peak Public Safety District for the year ended June 30, 2020. The information in the Schedule is presented in accordance with the requirements of Title 1, U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net fund balance or net position, or cash flows of the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.



LONE PEAK PUBLIC SAFETY DISTRICT
5400 West Civic Center Drive, Suite 1 • Highland, UT 84003
Phone (801) 756-5751 ext. 4521 • Fax (801) 756-6903

Corrective Action Plan – Finding 2020-001 - *Financial Close and Reporting*

Person responsible for overseeing corrective action: Nathan Crane

We agree with the finding and the recommendation. We will prepare reconciliations for all significant balance sheet accounts in preparation of closing out our fiscal year, and adjust the financials to make sure the financial information is maintained in accordance with generally accepted accounting principles.

Anticipated Completion date: June 2021



KEDDINGTON & CHRISTENSEN, CPAS

CERTIFIED PUBLIC ACCOUNTANTS

Gary K. Keddington, CPA

Phyl R. Warnock, CPA

Marcus K. Arbuckle, CPA

Steven M. Rowley, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS
REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE**

Board of Trustees
Lone Peak Public Safety District
Highland, Utah

Report on Compliance

We have audited the Lone Peak Public Safety District's (the District) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide* issued by the Office of the State Auditor, for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020, in the following areas:

Budgetary Compliance
Fund Balance
Open and Public Meetings Act
Fraud Risk Assessment
Cash Management

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the state compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Compliance

In our opinion, Lone Peak Public Safety District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying schedule of findings and recommendations as required by the *State Compliance Audit Guide* as item 2020-002 on page 50. Our opinion on compliance is not modified with respect to these matters.

Lone Peak Public Safety District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and recommendations as required by the *State Compliance Audit Guide*. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Keddington & Christensen, LLC

Salt Lake City Utah
January 7, 2021

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE
FOR THE YEAR ENDED JUNE 30, 2020**

2020-002: Cash Management – Utah Money Management Act (Significant Deficiency)

Condition: During our audit of compliance requirements required by the *State Compliance Audit Guide*, it was noted that the District did not report the correct monetary balances in their Deposit and Investment Report (D&I report) for June 30, 2020, and submitted the report after the July 31 deadline.

Criteria: Utah State Code Annotated (UCA) 51-7-15(3)(a) and (b) states: “A public treasurer shall file a written report with the council on or before January 31 and July 31 of each year. The report shall contain information about the deposits and investments of that public treasurer during the preceding six months ending December 31 and June 30, respectively, that the council requires by rule;...”

Cause: The District’s D&I report showed the total general fund Wells Fargo bank checking account at a balance of \$347,495, however, the June 30, 2020 Wells Fargo bank statement balance was \$1,084,196, an understatement of \$736,701.

Effect: The District did not follow the above mentioned portions of the Utah Management Act as required by the UCA.

Recommendation: We recommend the District develop policies and procedures to ensure that the D&I report is filed with accurate account balances and within the required timeframe.

Management’s Response: *We agree with the finding and recommendation. We will put policies in place that make sure the D&I report is prepared well before the deadline and that someone other than the person preparing the report reviews it for accuracy prior to submittal.*