HURRICANE VALLEY FIRE
SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASHINGTON COUNTY

BASIC FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

Together with Independent Auditor's Report

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
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CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

To the Administrative Control Board
Hurricane Fire Special Service District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Hurricane Valley Fire Special Service District (the District), component unit of Washington County, Utah, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District, as of December 31, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

K&C, CPAs

Salt Lake City, Utah
August 11, 2022

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Hurricane Valley Fire Special Service District (the District), we offer readers of the District's financial statements this narrative overview and analysis of financial activities of the District for the fiscal year ended December 31, 2021.

Financial Highlights

The assets and deferred outflows of resources of the governmental activities of the District exceeded its liabilities and deferred inflows of resources at the end of the current fiscal year by $13,476,619 (net position). Of this amount, $9,055,734 (unrestricted net position) is available to meet ongoing obligations to citizens and creditors. Net position increased by $2,522,163 in the current year and a prior period adjustment decreased net position by $650,814.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Hurricane Valley Fire Special Service District's basic financial statements: The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains information, in addition to the basic financial statements, that will help the reader gain a more in-depth understanding of the District.

<u>Government-wide Financial Statements</u>
Government-wide Financial Statements give readers a broad overview of the entire District's financial position and changes in financial position, similar to consolidated financial statements in a private sector business. These statements consist of the Statement of Net Position and the Statement of Activities.

The statement of activities presents information showing how the District's net position changed during the fiscal year reported. 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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenue (governmental activities from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type of activities). The statement of activities shows each function or program that is self- supporting through fees and intergovernmental aid and identifies the general revenue of the District available to cover any remaining costs of the functions or programs.

<u>Fund Financial Statements</u>
Fund Financial Statements are a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Hurricane Valley Fire Special Service District, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. The District funds are categorized as Governmental and business activities.

Governmental Funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources.

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 government 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 government fund balance sheet and the government fund statement of revenue, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three major governmental funds, the general fund, the impact fees special revenue fund, and the capital projects fund. The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund. A budget was not adopted for the impact fees special revenue fund, as is required by state law.

Notes to the Financial Statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District.

Financial Analysis

The District's Net Position

	Governmental Activities	
	2021	2020
Current and other assets	$ 11,176,509	$ 9,228,224
Capital assets	5,935,138	6,250,763
Total assets	17,111,647	15,478,987
Total deferred outflows of resources	453,705	353,764
Long-term liabilities outstanding	3,401,227	3,486,629
Other liabilities	292,122	497,730
Total liabilities	3,693,349	3,984,359
Total deferred inflows of resources	395,384	243,122
Net position:		
Net investment in capital assets	2,666,165	2,661,328
Restricted	1,754,720	1,045,613
Unrestricted	9,055,734	7,898,329
Total net position	$ 13,476,619	$ 11,605,270

As noted earlier, net position may serve over time as a useful indicator of financial position. Total governmental activities assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources at the close of the year by $13,476,619, an increase of $1,871,349. This change is equivalent to the net income for the year, in private sector terms. Total unrestricted net position at the end of the year is $9,055,734. Unrestricted net position represents those resources available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represents the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other liabilities due at year end, for goods and services acquired.

The District's Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	$ 2,751,711	$ 2,219,902
Operating grants and contributions	764,010	249,055
Capital grants and contributions	1,366,038	2,446,341
General revenues:		
Property taxes	4,011,159	3,476,724
Investment income	16,538	43,653
Miscellaneous	93,405	364,154
Total revenues	9,002,861	8,799,829
Expenses:		
Fire and emergency medical operations	6,397,302	3,738,882
Interest on long-term debt	83,396	82,990
Total expenses	6,480,698	3,821,872
Increase (Decrease) in net position	2,522,163	4,977,957
Net position - beginning of year	11,605,270	6,627,313
Prior Period Adjustment	(650,814)	-
Net position - end of year	$ 13,476,619	$ 11,605,270

For the Governmental Activities, total revenue was $9,002,861, representing an increase of $203,032 from the previous year.

Total expenses were $6,480,698, representing an increase of $2,658,826 from the previous year. Increases in Payroll, small asset purchases, and an increase in capitalizable capital expenditures makes up a significant portion of the increase in expenses.

Budgetary Highlights

Revenue for the current year for the general fund was originally budgeted in the amount of $6,021,742. Actual revenue amounted to $7,341,905.

Expenditures for the general fund for the current year, exclusive of transfers out, were originally budgeted in the amount of $7,153,355. Actual expenses amounted to $6,279,702.

Capital Assets and Debt Administration

The District's Capital Assets (Net of Depreciation)

	Governmental Activities	
	2021	2020
Land	$ 284,202	$ 99,202
Construction in progress	1,050,920	-
Buildings	2,548,262	2,391,391
Machinery and equipment	898,003	1,992,768
Autos and trucks	1,153,751	1,767,402
Total	$ 5,935,138	$ 6,250,763

Additional information on the District's capital assets and debt can be found in Note 7 in the Notes to the District's Basic Financial Statements.

The District's Outstanding Debt

	Governmental Activities	
	2021	2020
Financed purchases	$ 3,268,973	$ 3,589,435
Compensated absences	$ 81,062	$ 109,158
Total	$ 3,350,035	$ 3,698,593

Additional information regarding long-term liabilities may be found in note 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

It is anticipated that the budget will increase due to the population and development within the District.

Request for Information

This financial report is designed to give its readers a general overview of the District's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to Hurricane Valley Fire Special Service District, 202 East State Street, Hurricane, Utah 84737, (435) 635-9562.

BASIC FINANCIAL STATEMENTS

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

		Governmental Activities
Assets		
Cash and cash equivalents	$	7,279,651
Receivables:		
Accounts, net		827,026
Property taxes		482,991
Integovernmental		252,923
Prepaid expense		119,328
Restricted cash and cash equivalents		1,754,720
Capital assets not being depreciated		1,335,122
Capital assets, net of accumulated depreciation		4,600,016
Net pension asset		459,870
Total Assets		17,111,647
Deferred Outflows of Resources		
Pension related		453,705
Total Assets and Deferred Outflows of Resources	$	17,565,352
Liabilities		
Accounts payable	$	121,525
Accrued liabilities		102,559
Accrued interest payable		68,038
Noncurrent liabilities:		
Due within one year		361,768
Due in more than one year		2,988,267
Net pension liability		51,192
Total Liabilities		3,693,349
Deferred Inflows of Resources		
Pension related		395,384
Net Position		
Net investment in capital assets		2,666,165
Restricted for:		
Impact fees		1,754,720
Unrestricted		9,055,734
Total Net Position		13,476,619
Total Liabilities, Deferred Inflows of Resources and Net Position	$	17,565,352

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

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions					
Governmental Activities					
Fire and emergency medical operations	$ 6,397,302	$ 2,751,711	$ 764,010	$ 1,366,038	$ (1,515,543)
Interest on long-term debt	83,396	-	-	-	(83,396)
Total Governmental Activities	$ 6,480,698	$ 2,751,711	$ 764,010	$ 1,366,038	(1,598,939)
General Revenues					
Property taxes					4,011,159
Investment earnings					16,538
Miscellaneous					93,405
Total General Revenues					4,121,102
Changes in Net Position					2,522,163
Net Position, Beginning					11,605,270
Prior period adjustment					(650,814)
Net Position, Ending					$ 13,476,619

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

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
BALANCE SHEET – GOVERNMETNAL FUNDS
December 31, 2021

	General Fund	Capital Projects Fund	Special Revenue Impact Fee Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 7,279,651	$ -	$ -	$ 7,279,651
Receivables:				
Accounts, net	827,026	-	-	827,026
Property taxes	482,991	-	-	482,991
Intergovernmental	252,923	-	-	252,923
Due from other funds	337,602	-	-	337,602
Prepaid expense	36,827	-	82,501	119,328
Restricted cash and cash equivalents	-	-	1,754,720	1,754,720
Total Assets	$ 9,217,020	$ -	$ 1,837,221	$ 11,054,241
Liabilities				
Accounts payable	$ 117,724	$ 3,801	$ -	$ 121,525
Accrued liabilities	102,559	-	-	102,559
Due to other funds	-	337,602	-	337,602
Total Liabilities	220,283	341,403	-	561,686
Deferred Inflows of Resources				
Unavailable Revenue	642,998	-	-	642,998
Fund Balances				
Nonspendable				
Prepaid expense	36,827	-	82,501	119,328
Restricted				
Impact fees	-	-	1,754,720	1,754,720
Unassigned	8,316,912	(341,403)	-	7,975,509
Total Fund Balances	8,353,739	(341,403)	1,837,221	9,849,557
Total Liabilities, and Fund Balance	$ 9,217,020	$ -	$ 1,837,221	$ 11,054,241

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

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMETNAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2021

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

Total fund balance - governmental funds		$ 9,849,557
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	$ 10,435,289	
Less: accumulated depreciation	(4,500,151)	5,935,138
The net pension asset reported in governmental activities is not a financial resource and, therefore, is not reported in the governmental funds.		459,870
Long-term liabilities, including financed purchases, interest payable, compensated absences, and pension liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Financed purchases	$ (3,268,973)	
Interest payable	(68,038)	
Compensated absences	(81,062)	
Net pension liability	(51,192)	(3,469,265)
Unavailable revenue is recorded as a deferred inflow in the governmental funds but not in the governmental activities because it qualifies for recognition under the economic resources measurement focus.		642,998
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows related to pensions	$ 453,705	
Deferred inflows related to pensions	(395,384)	58,321
Net position - governmental activities		$ 13,476,619

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

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Capital Projects Fund	Special Revenue Impact Fee Fund	Total Governmental Funds
Revenues				
Property taxes	$ 4,011,159	$ -	$ -	$ 4,011,159
Charges for services	2,551,986	-	-	2,551,986
Impact fees	-	-	781,816	781,816
Contributions from other governments	633,454	525,460	58,762	1,217,676
Grants	130,556	-	-	130,556
Interest income	14,750	-	1,788	16,538
Total Revenues	7,341,905	525,460	842,366	8,709,731
Expenditures				
Current:				
Fire and emergency medical operations	6,016,909	-	-	6,016,909
Debt service:				
Principal	239,462	-	81,000	320,462
Interest	23,331	-	60,896	84,227
Capital outlay	-	1,311,743	-	1,311,743
Total Expenditures	6,279,702	1,311,743	141,896	7,733,341
Net Change in Fund Balances	1,062,203	(786,283)	700,470	976,390
Fund Balances, Beginning	6,997,684	444,880	1,000,175	8,442,739
Prior Period Adjustments	293,852	-	136,576	430,428
Fund Balances, Ending	$ 8,353,739	$ (341,403)	$ 1,837,221	$ 9,849,557

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

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

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

Net change in fund balances - total governmental funds			$ 976,390
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.			(720,166)
Governmental funds report current capital outlays as expenditures. However, these expenditures are reported as capital assets in the statement of net position.			1,485,784
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			320,462
Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities. The adjustment reflects the change in interest payable.			831
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability/asset is measured a year before the report date. Pension expenses, which are the changes in the net pension liability/asset adjusted for changes in deferred outflows and inflows of resources related to pensions and non-employer contributions, are reported in the statement of activities.			
Pension expense	$	137,637	
Non-employer contributions		93,405	231,042
Compensated absences expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			28,096
Governmental funds recognize revenues when they are both measurable and available; however, in the statement of activities, revenue is recognized when earned.			199,724
Change in net position - governmental activities			$ 2,522,163

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

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

The Hurricane Valley Fire Special Service District (the District) was established by the Washington County Commission on December 18, 2007. The District provides fire protection services to the cities of Hurricane, LaVerkin, Leeds, Rockville, Springdale, Toquerville, and Virgin, Utah.

Government-wide and Fund Financial Statements

Government-wide Financial Statements consist of the Statement of Net Position and the Statement of Changes in Net Position. These statements report financial information for the District as a whole. Individual funds are not displayed. All the District's operations are reported as governmental activities. As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities reports the expenses of a given function, offset by program revenue, directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund, or summarize more than one fund, to capture the expenses and program revenue associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements are provided for governmental funds. All three of the District's funds are presented as major funds.

<u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>
The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP).

Government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related to cash flows. Property tax revenue is recognized in the year for which it is levied, while grants are recognized when the grantor eligibility requirements are met.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Types and Major Funds

Government Funds
The District reports the following major governmental funds; 1) The general fund is the government's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund. 2) The capital projects fund is used to account for the acquisition or construction of major capital facilities and equipment. 3) Impact fee special revenue fund is used to account for impact fee revenues and related expenditures.

Assets, Liabilities, and Net Position

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

Investments for the District are reported at fair value. Deposits are reported at cost, which approximates fair value. Additional information is contained in Note 3.

Receivables and Payables
Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for emergency medical services. Accounts receivable are shown net of an allowance for uncollectible accounts.

Property taxes are assessed and collected for the District by Washington County and remitted to the District shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1 and are delinquent after November 30. All dates are in the year of levy.

Capital Assets
Capital assets include property, plant, and equipment, and are reported in the governmental activities in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's lives, are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

The lives of the assets are 5 to 16 years for equipment and 39 years for buildings and improvements.

Long-term Obligations
In the government-wide Statement of Net Position, long-term debt and obligations are reported as liabilities. The governmental fund financial statements recognize the proceeds of leases, debt, and premiums as other financing sources of the current period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the District's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

Equity Classifications

Equity is classified in the government-wide financial statements as net position and is displayed in three components:

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt that is attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – consists of net position with constraints 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.
- *Unrestricted net position* – All other net position that do not meet the definition of *restricted* or *net investment in capital assets*.

Governmental fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- *Nonspendable Fund Balance* – includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., prepaid expenses) or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – amounts with constraints placed on the use of resources that are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – includes those funds that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution or ordinance) of the Administrative Control Board, the District's highest level of decision-making authority.
- *Assigned Fund Balance* – used for amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed, and (b) amounts in the general fund that are intended to be used for a specific purpose. The Administrative Control Board assigns amounts to specific purposes and may change the assignments as circumstances change.
- *Unassigned Fund Balance* – residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. If the fund balance of a governmental fund, other than the general fund, that is not classified as nonspendable and is neither restricted nor committed, is negative, the balance would be reported under this classification as well.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

The District collects impact fees to offset the costs of improvements to the District's public safety facilities that become necessary due to new development within the District's service area. Impact fees are imposed through the passing of legislation by the Administrative Control Board and can only be used for the specific public safety facilities included in the Impact Fee Facilities Plan. As of December 31, 2021, the portion of restricted net position that was due to enabling legislation was $1,754,720.

Compensated Absences

The District pays employee compensation and vacation time upon termination of employment. The District does not pay for sick leave upon termination. The employee is allowed to carry over 80 hours on their measurement date.

Estimates

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

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, 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 will not be recognized as an outflow of resources (expense/expenditure) until then. 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 will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Annual budgets are prepared and adopted by ordinance, in accordance with State law. The budget is adopted prior to the beginning of the year to which it applies after a public hearing has been held. Estimated revenue and appropriations may be increased or decreased by resolution of the board at any time during the year. A public hearing must be held prior to any proposed increase in fund appropriations. Budgets include activities in the General Fund. The level of the District's budgetary control (the level at which the District's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Budgetary Data (Continued)

Budget amendments which increase total expenditures must be approved by the board following a public hearing. With the consent of the board, department heads may reallocate unexpended appropriated balances from one expenditure account to another within the department during the budget year. Budgets for the general and capital improvements funds are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 3 DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Investments are stated at cost, which approximate fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "cash and cash equivalents" and “restricted cash and cash equivalents,” which includes cash accounts that are separately held by several of the District’s funds.

The District’s deposit and investment policy is to follow the Utah Money Management Act; however, the District does not have a separate deposit and investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

Components of cash and investments (including interest earning deposits) at December 31, 2021 are as follows:

Cash on hand and on deposit:		
Cash on deposit	$	5,787,328
PTIF investments		3,247,043
Total cash and investments	$	9,034,371
Cash and investments are included in the accompanying combined statement of net position as follows:		
Cash and cash equivalents	$	7,279,651
Restricted cash and cash equivalents		1,754,720
Total cash and investments	$	9,034,371

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

Custodial credit risk – deposits is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of December 31, 2021, $5,584,062 of the District’s $5,834,062 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District’s investment in the Utah Public Treasurer’s Investment Fund has no custodial credit risk.

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 risks 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 issuers of the investment securities.

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poor's; banker acceptance obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined by the Act.

Interest rate risk is the risk that changes in the 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.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

The District invests in the Public Treasurer's Investment Fund (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 and is not rated. 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. The maximum weighted average life of the portfolio does not exceed 90 days.

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 cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Additional information is available at the Utah State Treasurer's Office.

For the year ended December 31, 2021, the District had investments of $3,247,043 with the PTIF. This investment matures in less than one year and is not rated.

<u>Fair Value of Investments</u>
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.

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2021, the District had the following cash and investments:

	Carrying Value	Fair Value Factor	Fair Value	Credit Rating	Weighted Avg. Maturity
Cash on hand and on deposit:					
Cash on deposit	$ 5,787,328	1	$ 5,787,328	N/A	N/A
Utah State Public Treasurer's Investment Fund	3,247,043	1.000024	3,247,120	N/A	< 3 mos.
Total cash on hand and deposit	$ 9,034,371		$ 9,034,448		

The District's PTIF investments is classified as level 2 and is calculated by applying the December 31, 2021 fair value factor, as calculated by the Utah State Treasurer, to the District's balance in the fund.

NOTE 4 ACCOUNTS RECEIVABLE, NET & ALLOWANCE FOR DOUBTFUL ACCOUNTS

	Outstanding Balance	Allowance for Doubtful Accounts	Net
Ambulance receivable	$ 1,760,057	$ (933,031)	$ 827,026
Property tax receivable	482,991	-	482,991
Intergovernmental receivable	252,923	-	252,923
Total	$ 2,495,971	$ (933,031)	$ 1,562,940

NOTE 5 DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue

Revenue in the General Fund is recorded using the modified accrual basis of accounting and revenues are recognized when they are both measurable and available (expected to be received within 60 days). A portion of the ambulance receivable and intergovernmental receivable at December 31, 2021 was not received within 60 days and not available to be recorded in revenue, therefore the District has recorded a deferred inflow of resources of $642,998 – $622,581 of the ambulance receivable and $20,417 of the intergovernmental receivable. These revenues will be recognized at the government-wide level (accrual basis of accounting) and in the General Fund in subsequent periods as they become available.

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financed purchases from direct borrowings	$ 3,589,435	$ -	$ (320,462)	$ 3,268,973	$ 296,755
Compensated absences	109,158	87,753	(115,849)	81,062	65,013
Total long-term liabilities	$ 3,698,593	$ 87,753	$ (436,311)	$ 3,350,035	$ 361,768

Compensated absences are generally liquidated by the general fund.

NOTE 6 LONG-TERM LIABILITIES (Continued)

Governmental Activities - Financed Purchases from Direct Borrowings

In October 2015, the District entered into a financed purchase agreement in the amount of $518,800 to finance the purchase of public safety vehicles and equipment. Annual principal and interest payments began on January 15, 2016 and are required until maturity on January 15, 2026 at an interest rate of 2.70%. The significant event of default is a failure to pay principal or interest when due. Upon the occurrence of this event of default, the public safety vehicles and equipment may be repossessed and sold with or without cancelation of the agreement.	$ 249,165
In August 2016, the District entered into a financed purchase agreement in the amount of $995,000 to finance the purchase of a fire ladder truck. Annual principal and interest payments began on March 1, 2018 and are required until maturity on March 1, 2037 at an interest rate of 2.50%. Significant events of default consist of (a) failure to pay principal or interest when due; (b) abandonment or transfer of the fire ladder truck; and (c) the initiation of bankruptcy proceedings by the District. Upon the occurrence of an event of default, the fire ladder truck may be repossessed.	833,000
In September 2016, the District entered into a financed purchase agreement in the amount of $1,638,000 to finance the purchase of a fire station. Annual principal and interest payments began on March 1, 2019 and are required until maturity on March 1, 2048 at an interest rate of 2.50%. Significant events of default consist of (a) failure to pay principal or interest when due; (b) abandonment or transfer of the fire station; and (c) the initiation of bankruptcy proceedings by the District. Upon the occurrence of an event of default, the fire station may be repossessed. The District has entered into a shared facilities agreement with Washington City, Utah whereby the City pays half the required debt service payments on this agreement to the District until the debt is extinguished. The District operates and maintains the fire station and recognizes the full historical cost of the asset and related debt.	1,524,000
In March 2019, the District entered into a financed purchase agreement in the amount of $85,782 to finance the purchase of public safety equipment. Annual principal and interest payments began on April 25, 2025 and are required until maturity on April 25, 2024 at an interest rate of 3.65%. The significant event of default is a failure to pay principal or interest when due. Upon the occurrence of this event of default, the public safety equipment may be repossessed and sold with or without cancelation of the agreement.	53,305
In May 2019, the District entered into a financed purchase agreement in the amount of $200,000 to finance the purchase of a fire ladder truck. Annual principal and interest payments began on October 1, 2019 and are required until maturity on October 1, 2038 at an interest rate of 2.50%. Significant events of default consist of (a) failure to pay principal or interest when due; (b) abandonment or transfer of the fire ladder truck; and (c) the initiation of bankruptcy proceedings by the District. Upon the occurrence of an event of default, the fire ladder truck may be repossessed.	176,000

NOTE 6 LONG-TERM LIABILITIES (Continued)

Governmental Activities – Financed Purchases from Direct Borrowings (Continued)

In June 2020, the District entered into a financed purchase agreement in the amount of $728,248 to finance the purchase of public safety vehicles. Annual principal and interest payments began on July 15, 2020 and are required until maturity on January 15, 2024 at an interest rate of 2.50%. The significant event of default is a failure to pay principal or interest when due. Upon the occurrence of this event of default, the public safety vehicles may be repossessed and sold with or without cancelation of the agreement.	$	433,503
Total revenue bonds		3,268,973
Less current portion		(296,755)
Noncurrent portion	$	2,972,218

The combined aggregate amount of debt service requirements (principal and interest) by year is as follows:

Governmental Activities - Financed Purchases from Direct Borrowings

Year		Principal		Interest		Total
2022	$	296,755	$	82,769	$	379,524
2023		304,745		75,327		380,072
2024		312,403		67,339		379,742
2025		149,308		59,156		208,464
2026		151,762		55,293		207,055
2027-2031		546,000		230,100		776,100
2032-2036		618,000		158,375		776,375
2037-2041		393,000		87,925		480,925
2042-2046		346,000		45,200		391,200
2047-2048		151,000		5,675		156,675
	$	3,268,973	$	867,159	$	4,136,132

NOTE 7 CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2021, is as follows:

Governmental Activities		Beginning Balance, Restated		Increases		Decreases		Ending Balance
Capital assets not being depreciated:								
Land	$	284,202	$	-	$	-	$	284,202
Construction in progress		-		1,050,920		-		1,050,920
Total capital assets not being depreciated	$	284,202	$	1,050,920	$	-	$	1,335,122

NOTE 7 CAPITAL ASSETS (Continued)

Governmental Activities (Continued)	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings	$ 3,151,402	$ 5,000	$ -	$ 3,156,402
Machinery and equipment	1,503,954	136,460	-	1,640,414
Autos and trucks	4,009,947	293,404	-	4,303,351
Total capital assets being depreciated	8,665,303	434,864	-	9,100,167
Less accumulated depreciation for:				
Buildings	(504,021)	(104,119)	-	(608,140)
Machinery and equipment	(509,834)	(232,577)	-	(742,411)
Autos and trucks	(2,766,130)	(383,470)	-	(3,149,600)
Total accumulated depreciation	(3,779,985)	(720,166)	-	(4,500,151)
Total capital assets being depreciated, net	4,885,318	(285,302)	-	4,600,016
Total capital assets, net	$ 5,169,520	$ 765,618	$ -	$ 5,935,138

Depreciation expense of $720,166 was charged to fire and emergency medical operations.

NOTE 8 PENSION PLANS

General Information about the Pension Plan

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems (URS) are comprised of the following pension trust funds:

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

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.

NOTE 8 PENSION PLANS (Continued)

Summary of Benefits by System

Benefits provided: URS provides retirement, disability, and death benefits.

Retirement benefits are as follows:

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 4.0%
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 4.0%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.5% per year to June 30, 2020; 2.0% per year July 1, 2020 to present	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.*

Contributory Rate Summary

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 December 31, 2021 are as follows:

	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Governmental Division Tier 2	N/A	16.07%	0.62%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	18.47%	N/A
Firefighters Retirement System			
32 - Other Division A	15.05%	4.61%	N/A
132 - Tier 2 DB Hybrid Firefighters	2.27%	14.08%	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%
232 - Firefighters	N/A	0.08%	14.00%

NOTE 8 PENSION PLANS (Continued)

Contributory Rate Summary (Continued)

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

For fiscal year ended December 31, 2021, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 30,427	N/A
Firefighters System	25,962	$ 84,757
Tier 2 Public Employees System	16,324	-
Tier 2 Public Safety and Firefighter	182,594	29,439
Tier 2 DC Only System	1,336	N/A
Tier 2 DC Public Safety and Firefighter System	27	N/A
Total Contributions	$ 256,670	$ 114,196

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.

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

At December 31, 2021, we reported a net pension asset of $459,870 and a net pension liability of $51,192.

	Measurement Date: December 31, 2020			Proportionate	
	Net Pension Asset	Net Pension Liabilitiy	Proportionate Share	Share December 31, 2019	Change
Noncontributory System	$ -	$ 5,303	0.0103378%	0.0099903%	0.0003475%
Firefighters System	459,870	-	1.6446242%	1.7272487%	-0.0826245%
Tier 2 Public Employees System	-	301	0.0020895%	0.0027518%	-0.0006623%
Tier 2 Public Safety and Firefighter	-	45,588	0.5082650%	0.5382150%	-0.0299500%
Total Net Pension Asset / Liability	$ 459,870	$ 51,192			

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 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 December 31, 2021, we recognized pension expense of $25,505.

NOTE 8 PENSION PLANS (Continued)

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

At December 31, 2021, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 101,748	$ 18,692
Changes in assumptions	82,310	13,797
Net difference between projected and actual earnings on pension	-	345,740
Changes in proportion and differences between contributions and	12,978	17,155
Contributions subsequent to the measurement date	256,669	-
Total	$ 453,705	$ 395,384

$256,669 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, 2020.

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
2021	$ (72,816)
2022	(15,624)
2023	(95,277)
2024	(42,399)
2025	10,383
Thereafter	17,385

Actuarial assumptions

The total pension liability in the December 31, 2020, 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 adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

NOTE 8 PENSION PLANS (Continued)

Actuarial assumptions (Continued)
The actuarial assumptions used in the January 1, 2020, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

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 Asset Allocation**	**Real Return Arithmetic Basis**	**Long-Term expected portfolio real rate of return**
Equity securities	37.00%	6.30%	2.33%
Debt securities	20.00%	0.00%	0.00%
Real Assets	15.00%	6.19%	0.93%
Private equity	12.00%	9.50%	1.14%
Absolute return	16.00%	2.75%	0.44%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.84%
	Inflation		2.50%
	Expected arithmetic nominal return		7.34%

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.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The table at the top of the following page 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.

NOTE 8 PENSION PLANS (Continued)

Actuarial assumptions (Continued)

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	$ 91,933	$ 5,303	$ (66,917)
Firefighters System	208,923	(459,870)	(1,000,784)
Tier 2 Public Employees System	5,057	301	(3,338)
Tier 2 Public Safety and Firefighter	214,935	45,588	(89,476)
Total	$ 520,848	$ (408,678)	$ (1,160,515)

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.

The District participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended December 31, were as follows:

401(k) Plan	2021	2020	2019
Employer Contributions	$ 31,183	$ 27,910	$ 28,518
Employee Contributions	33,221	40,584	26,646
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	$ 200	$ -	$ -

NOTE 9 INTERNAL BALANCES

The composition of internal balances as of December 31, 2021 is as follows:

	Interfund Receivable General Fund
Interfund Payable	
Capital Projects Fund	$ 337,602

The interfund balances between the General Fund and the Capital Projects Fund are for the cash flow needs of the Capital Projects Fund.

NOTE 10 RELATED PARTY TRANSACTIONS

The District is a component unit of Washington County, Utah (the County). The District financed the purchase of two fire ladder trucks and a fire station with the County. The amount owed to the County at December 31, 2021 was $2,442,000 and the related debt service payments for the year then ended were $178,409.

The District has a receivable from the County for $482,991 at year end for property taxes the County collected on behalf of, but has yet to remit them to, the District. The total property taxes collected by the County and paid to the District during the year were $4,091,631.

The County has agreed to pay the District 4% of the Transient Room Taxes it collects in exchange for the District providing emergency medical services to Zion National Park. At year end, the District has a receivable from the County related to this agreement for $125,200 and received $586,248 in Transient Room Taxes from the County during the year.

The District has grants receivable from the County for $83,618 at year end and received $30,058 in grant payments from the County during the year.

The District has a receivable from the County for $16,795 at year end related to ambulance services and received $32,908 in payments from the County during the year related to these services.

NOTE 11 INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, property damage, destruction of assets, errors, omissions, injuries, and natural disasters. The District and its property are insured through Bringhurst-Leavitt Insurance Agency, Inc. The District is subject to a minimal deductible for claims.

NOTE 12 PRIOR PERIOD ADJUSTMENTS

During the current year, it was determined that certain prior year intergovernmental receivables totaling $417,278 were not recorded in the General Fund. It was also noted that certain prior year revenues and prepaids were erroneously recorded in the General Fund instead of the Impact Fees Fund. To correct these errors, the beginning fund balances of the General Fund of $6,997,684 and of the Impact Fees Fund of $1,000,175, as originally reported, have been increased to $7,291,536 and $1,136,751, respectively. In addition, management determined that capital assets, net of accumulated depreciation, were overstated in the prior year by $1,081,242. The effect of these adjustments on beginning net position for governmental activities is to decrease it from $11,605,270, as originally reported, to $10,954,456.

NOTE 13 SUBSEQUENT EVENT

In April 2022, the District entered into an agreement with a bank to finance the purchase of fire vehicles and equipment. The amount borrowed was $798,000 at an interest rate of $2.480% with an annual principal and interest payment of $90,622 beginning in 2023 and maturing in 2032.

REQUIRED SUPPLEMENTARY INFORMATION

HURRICANE VALLEY FIRE SPECIAL SERVICES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with final budget
Revenues				
Property taxes	$ 3,561,231	$ 3,561,231	$ 4,011,159	$ 449,928
Charges for services	1,600,850	1,600,850	2,551,986	951,136
Impact fees	377,125	377,125	-	(377,125)
Grants	5,500	119,855	130,556	10,701
Interest income	32,000	32,000	14,750	(17,250)
Contributions from other governments	445,036	583,209	633,454	50,245
Total Revenues	6,021,742	6,274,270	7,341,905	1,067,635
Expenditures				
Current:				
Fire and emergency medical operations:				
Personnel services	5,505,479	5,505,479	4,633,773	871,706
Supplies and utilities	80,889	102,125	70,109	32,016
Professional services	267,757	285,000	264,499	20,501
Operations and maintenance	718,826	1,061,494	1,048,528	12,966
Debt service	580,404	580,404	262,793	317,611
Total Expenditures	7,153,355	7,534,502	6,279,702	1,254,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (1,131,613)	$ (1,260,232)	$ 1,062,203	$ (2,322,435)
Other Financing Sources (Uses)				
Transfer in	473,979	473,979	-	(473,979)
Total Other Financing Sources (Uses)	473,979	473,979	-	(473,979)
Net Change in Fund Balance	$ (657,634)	$ (786,253)	1,062,203	$ (2,796,414)
Fund Balance, Beginning			6,997,684	
Prior Period Adjustment			293,852	
Fund Balance, Ending			$ 8,353,739	

HURRICANE VALLEY FIRE SPECIAL SERVICES DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – IMPACT FEE SPECIAL REVENUE FUND
For the Year Ended December 31, 2021

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with final budget**
Revenues				
Impact fees	$ -	$ -	$ 781,816	$ 781,816
Interest income	-	-	1,788	1,788
Contributions from other governments	-	-	58,762	58,762
Total Revenues	-	-	842,366	842,366
Expenditures				
Debt service:				
Principal	-	-	81,000	(81,000)
Interest	-	-	60,896	(60,896)
Total Expenditures	-	-	141,896	(141,896)
Net Change in Fund Balance	$ -	$ -	700,470	$ (700,470)
Fund Balance, Beginning			1,000,175	
Prior Period Adjustment			136,576	
Fund Balance, Ending			$ 1,837,221	

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2021
Last 10 Measurement Dates*

Measurement Date: December 31,	Noncontributory Retirement System	Firefighters Retirement System	Tier 2 Public Employees Retirement	Tier 2 Public Safety and Firefighters
Proportion of the net pension liability (asset)				
2015	0.0049493%	1.1797390%	0.0017688%	0.0816561%
2016	0.0075955%	1.2359810%	0.0000000%	0.0971078%
2017	0.0085593%	1.2339138%	0.0019730%	0.4497034%
2018	0.0093666%	1.5895500%	0.0022766%	0.5038905%
2019	0.0099903%	1.7272487%	0.0027518%	0.5382150%
2020	0.0103378%	1.6446242%	0.0020895%	0.5082650%
Proportionate share of the net pension liability (asset)				
2015	$ 28,006	$ (21,367)	$ (4)	$ (1,193)
2016	48,772	(9,744)	-	(843)
2017	37,501	(77,064)	174	(55,203)
2018	68,973	206,399	975	12,625
2019	37,652	(214,213)	619	50,627
2020	5,303	(459,870)	301	45,589
Covered payroll				
2015	$ 39,998	$ 413,082	$ 11,422	$ 48,585
2016	70,203	503,377	-	80,233
2017	72,553	538,222	19,250	474,454
2018	79,244	692,671	26,600	672,571
2019	83,791	762,973	38,174	887,140
2020	86,540	741,168	33,475	1,011,966
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll				
2015	70.02%	-5.17%	-0.04%	-2.46%
2016	69.47%	-1.94%	0.00%	-1.05%
2017	51.69%	-14.32%	0.90%	-11.64%
2018	87.04%	29.80%	3.67%	1.88%
2019	44.94%	-28.08%	1.62%	5.71%
2020	6.13%	-62.05%	0.90%	4.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)				
2015	87.8%	101.0%	100.2%	110.7%
2016	87.3%	100.4%	95.1%	103.6%
2017	91.9%	103.0%	97.4%	103.0%
2018	87.0%	94.3%	90.8%	95.6%
2019	93.7%	105.0%	96.5%	89.6%
2020	99.2%	110.5%	98.3%	93.1%

** The 10-year schedule will be built prospectively. The schedule above is only for the years listed.*

HURRICANE VALLEY FIRE SPECIAL SERVICES DISTRICT
SCHEDULE OF CONTRIBUTIONS – UTAH RETIREMENT SYSTEMS
December 31, 2021
Last 10 Years*

For the year ended December 31,	Noncontributory Retirement System	Firefighters Retirement System	Tier 2 Public Employees System **	Tier 2 Public Safety and Firefighter System **	Tier 2 Public Employees DC Only System **	Tier 2 Public Safety and Firefighter DC Only System **
Actuarial Determined Contributions						
2015	$ 7,388	$ 12,392	$ 1,705	$ 5,235	$ -	$ -
2016	12,966	13,677	-	8,625	-	-
2017	13,401	14,116	2,896	51,206	-	-
2018	14,636	21,066	4,078	74,798	-	-
2019	15,535	25,463	5,962	100,823	-	-
2020	15,984	24,735	5,438	129,136	719	6
2021	30,427	25,962	16,324	182,594	1,336	27
Contributions in relation to the contractually required Contributions						
2015	$ 7,388	$ 12,392	$ 1,705	$ 5,235	$ -	$ -
2016	12,966	13,677	-	8,625	-	-
2017	13,401	14,116	2,896	51,206	-	-
2018	14,636	21,066	4,078	74,798	-	-
2019	15,535	25,463	5,962	100,823	-	-
2020	15,984	24,735	5,438	129,136	719	6
2021	30,427	25,962	16,324	182,594	1,336	27
Contribution deficiency (excess)						
2015	$ -	$ -	$ -	$ -	$ -	$ -
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
2018	-	-	-	-	-	-
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2020	-	-	-	-	-	-
Covered payroll						
2015	$ 39,998	$ 413,082	$ 11,422	$ 48,585	$ -	$ -
2016	70,203	503,377	-	80,233	-	-
2017	72,553	538,222	19,250	474,454	-	-
2018	79,244	692,671	26,600	672,571	-	-
2019	84,111	762,286	38,174	887,484	-	-
2020	86,540	741,168	34,603	1,011,966	10,753	8,065
2021	164,736	784,137	102,179	1,296,833	19,963	33,281
Contributions as a percentage of covered payroll						
2015	18.47%	3.00%	14.93%	10.77%	0.00%	0.00%
2016	18.47%	2.72%	0.00%	10.75%	0.00%	0.00%
2017	18.47%	2.62%	15.04%	10.79%	0.00%	0.00%
2018	18.47%	3.04%	15.33%	11.12%	0.00%	0.00%
2019	18.47%	3.34%	15.62%	11.36%	0.00%	0.00%
2020	18.47%	3.34%	15.72%	12.76%	6.69%	0.07%
2021	18.47%	3.31%	15.98%	14.08%	6.69%	0.08%

** The 10-year schedule will be built prospectively. The schedule above is only for the years listed.*

*** 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.*

HURRICANE VALLEY FIRE SPECIAL SERVICES DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 EXPENDITURES IN EXCESS OF BUDGET

The District did not set a budget for its Impact Fee Special Revenue Fund for the year ending December 31, 2021 as is required by Utah Code Section 10-6-109(1)(b).

NOTE 2 CHANGES IN ASSUMPTIONS – PENSION PLAN

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a $201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability of as December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the “Retirement Office” column using the “Reports and Stats” tab.

SUPPLEMENTARY REPORTS

CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, 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*

To the Administrative Control Board
Hurricane Valley Fire Special Service District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Hurricane Valley Fire Special Service District (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 11, 2022.

Report on Internal Control over Financial Reporting

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

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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2021-001 that we consider to be a material weakness.

Report on 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 statements. 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*.

Hurricane Valley Fire Special Service District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 and 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.

K&C, CPAs

Salt Lake City, Utah
August 11, 2022

K&C
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, 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*

To the Administrative Control Board
Hurricane Valley Fire Special Service District

Report on Compliance

We have audited Hurricane Valley Fire Special Service 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 December 31, 2021.

State compliance requirements were tested for the year ended December 31, 2021 in the following areas:

Budgetary Compliance	Cash Management
Fund Balance	Impact Fees
Fraud Risk Assessment	Public Treasurer's Bond
Government Fees	

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.

Basis for Qualified Opinion on Budgetary Compliance and Impact Fees

As described in the accompanying Schedule of Findings and Recommendations, see items 2021-002 and 2021-007, Hurricane Valley Fire Special Service District did not comply with requirements regarding the following:

Budgetary Compliance:	Setting a budget for capital projects and special revenue funds
Impact Fees:	Disbursements authorized by Impact Fee Facilities Plan

Compliance with such requirements is necessary, in our opinion, for Hurricane Valley Fire Special Service District to comply with the requirements applicable to each of the areas noted above.

Qualified Opinion on Budgetary Compliance and Impact Fees

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hurricane Valley Fire Special Service District complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2021

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Salt Lake City, Utah 84119

Unmodified Opinion on Each of the Other State Compliance Areas

In our opinion, Hurricane Valley Fire Special Service District complied, in all material respects, with the other state compliance requirements referred to above for the year ended December 31, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit* Guide and which are described in the accompanying schedule of findings and recommendations as items 2021-003 to 2021-006, and 2021-008. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

A *deficiency in internal control over compliance* 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 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 general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and recommendations as items 2021-002 and 2021-007 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and recommendations as items 2021-003 to 2021-006, and 2021-008 to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and recommendations. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report is 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 requirements of the *State Compliance Audit Guide.* Accordingly, this report is not suitable for any other purpose.

K&C, CPAs

Salt Lake City, Utah
August 11, 2022

HURRICANE VALLEY FIRE SPECIAL SERVICE DISTRICT
Schedule of Findings and Recommendations
For the Year Ended December 31, 2021

INTERNAL CONTROL OVER FINANCIAL REPORTING

2021-001: Financial Close Procedures – *Material Weakness*

Condition: During our audit we noted several areas of the financial statements required material adjustments to bring them into compliance with generally accepted accounting principles as it relates to governmental entities.

Criteria: Utah Code Annotated (UCA) 17B-1-603 states: "The accounting records of each local district shall be established and maintained, and financial statements prepared from those records, in conformance with generally accepted accounting principles promulgated from time to time by authoritative bodies in the United States"

Cause: Reconciliations of accounts did not consider all factors related to the significant area.

Effect: Several material audit adjustments were required to be made to correct the financial statements. These adjustments impacted the following significant areas:

- Accounts receivable, net (including allowance for doubtful accounts)
- Property tax receivable
- Intergovernmental receivable
- Prepaid expense
- Capital assets
- Accrued liabilities
- Unavailable revenue
- Debt service classification

Recommendation: We recommend 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 the District's records are prepared in accordance with generally accepted accounting principles.

Management's Response: Management concurs with the auditor's findings and recommendations. It has been the district's practice over many years to rely on auditors to help identify needed adjustments; however, the items discovered this year by the auditors show that this practice is no longer acceptable. It is management's policy that all adjustments be reviewed by District staff monthly, and we will continue to perform monthly reconciliation of all subsidiary accounts.

STATE COMPLIANCE

2021-002: Budgetary Compliance – Adopting a Budget for All Funds – *Material Weakness*

Condition: During our testing we noted that the administrative control board of the District did not set a budget for the Impact Fees Special Revenue Fund nor the Capital Projects Fund for the year ended December 31, 2021.

Criteria: UCA 17B-1-605(1) states, "The budget officer of each local district shall prepare for each budget year a budget for each of the following funds: … (b) special revenue funds; … (d) capital projects funds…"

UCA 17B-1-619(1) states, "A local district may not make or incur expenditures or encumbrances in excess of total appropriations in the budget as adopted or as subsequently amended."

Cause: The District is unaware of the requirements to set a budget for all its funds.

Effect: Expenditures out of the Impact Fees Special Revenue Fund and the Capital Projects Fund were not budgeted for.

Recommendation: We recommend the District establish procedures to set a budget for each of its funds.

Management's Response: Management acknowledges the auditor's findings and recommendations and will establish procedures to set a budget for each of its funds.

2021-003: Budgetary Compliance – Presentation of Quarterly Financials to the Board – *Significant Deficiency*

Condition: During our testing we noted that the quarterly financial reports showing the detail of each fund are not presented to the board.

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

Cause: The District is unaware of the requirements to present quarterly financial reports to the board.

Effect: The District did not comply with the requirements of state law related to local districts.

Recommendation: We recommend the District establish procedures to present quarterly financial reports to the governing board.

Management's Response: Management acknowledges the auditor's findings and recommendations. During monthly board meetings the board is provided with Check register, updated revenue and updated ledger on the budget.

2021-004: Deficit Fund Balance – *Significant Deficiency*

Condition: During our testing we noted that the Capital Projects Fund had a deficit fund balance at December 31, 2021 of $341,403.

Criteria: UCA 17B-1-613(2) states, "If there is a deficit fund balance in a fund at the close of the last completed fiscal year, the board of trustees of a local district shall include an item of appropriation for the deficit in the current budget of the fund equal to: (a) at least 5% of the total revenue of the fund in the last completed fiscal year…"

Cause: The District is unaware of the state requirements related to retiring a deficit fund balance.

Effect: There is no provision in the subsequent year to retire the deficit fund balance in the Capital Projects Fund.

Recommendation: We recommend the District establish procedures to comply with state law in relation to retiring deficit fund balances.

Management's Response: Management acknowledges the auditor's findings and recommendations and will establish procedures to comply with state law in relation to retiring deficit fund balances.

2021-005: Fraud Risk Assessment – Completion and Presentation to Board – *Significant Deficiency*

Condition: During our testing we noted that District staff had not presented the 2021 Fraud Risk Assessment form to the Board in a public meeting during the 2021 fiscal year.

Criteria: Auditor Alert 2020-01, issued by the Office of the Utah State Auditor, states, "Beginning in 2020, all local governments will complete the [Fraud Risk] Assessment internally. The Assessment must be completed and presented to the governing board before the end of the 2020 (sic) fiscal year."

Cause: District staff did not complete the form and present it in a meeting of the Board during the 2021 fiscal year.

Effect: The District did not comply with the requirements of the Utah State Auditor.

Recommendation: We recommend the District complete the Fraud Risk Assessment form and present it in a Board meeting annually.

Management's Response: Management acknowledges the auditor's findings and recommendations. Once it was brought to our attention the Fraud Risk Assessment was uploaded to the appropriate website.

2021-006: Impact Fees – Impact Fee Schedule – *Significant Deficiency*

Condition: During our testing we noted that the District's impact fee schedule did not include a detail of the impact fees on hand as of December 31, 2021 that included from which project or source the fees were collected from.

Criteria: UCA 11-36a-601 states, "A local subdivision that collects an impact fee shall: … (4) At the end of each fiscal year, prepare a report that: (a) For each fund or ledger account, shows: (i) the source and amount of all money collected, earned, and received during the fiscal year; and … (c) Identifies the impact fee funds … by: … (ii) The project from which the impact fees were collected …"

Cause: The District was unaware of what was required to be reported in the impact fees on hand section of its impact fee schedule dated December 31, 2021.

Effect: The District's impact fees on hand section of its impact fee schedule dated December 31, 2021 does not include the required information.

Recommendation: We recommend the District establish policies and procedures to prepare its impact fee schedule with the information required by state law.

Management's Response: Management acknowledges the auditor's findings and recommendations. Once it was discovered the impact fee schedule was uploaded to the appropriate website.

2021-007: Impact Fees – Disbursements – *Material Weakness*

Condition: During our testing we noted that the District's impact fee schedule included the disbursement for debt related to a fire engine that was purchased in 2019. The total amount of the debt is $200,000, which is the historical cost of the asset. We also noted that per the District's 2015 Impact Fee Facilities Plan, the apparatus fee can only be spent on a fire suppression vehicle costing more than $500,000. We also noted that the full amount of debt service was included for the Coral Canyon Fire Station when Washington City is paying the District for half of the debt service on the station.

Criteria: UCA 11-36a-602(1) states: "A local political subdivision may expend impact fees only for a system improvement: (a) Identified in the impact fee facilities plan; and (b) For the specific public facility type for which the fee was collected."

Cause: The District is unaware of the spending requirements for the apparatus fee and that other funding sources must be used ahead of impact fees, if available.

Effect: The District included expenditures that are not allowed by its 2015 Impact Fee Facilities Plan.

Recommendation: We recommend the District implement procedures to ensure the expenditure of impact fees is allowed by its Impact Fee Facilities Plan.

Management's Response: Management acknowledges the auditor's findings and recommendations and will closely follow the guidelines implemented in the 2015 Impact Fee Facilities plan.

2021-008: Public Treasurer's Bond – *Significant Deficiency*

Condition: During our testing we noted that District had not procured the minimum bond amount required by Utah State Code.

Criteria: UCA 51-7-15(1)(a)(b) states, "The state treasurer, county, city, and town treasurers, the clerk or treasurer of each school district, and other public treasurers that the council designates by rule shall be bonded or may procure crime or theft insurance as described in Section 17-16-11 in an amount of not less than that established by the council. The council shall base the minimum bond amount or crime or theft insurance as described in Section 17-16-11 on the amount of public funds normally in the treasurer's possession or control."

Cause: The District did not ensure the amount bonded met the minimum amount required by state law.

Effect: The District's Treasurer was not adequately bonded during the year.

Recommendation: We recommend the District establish policies and procedures to continuously assess their Treasurer Bond coverage and ensure that it meets the minimum amount required for the fiscal year.

Management's Response: Management acknowledges the auditor's findings and recommendations and has updated the current Bond schedules to meet the requirements of state code.