

**SOUTH DAVIS METRO FIRE SERVICE AREA**

**Financial Statements  
and  
Independent Auditor's Report**

**June 30, 2020**

**HBME**

**CERTIFIED PUBLIC ACCOUNTANTS**

**SOUTH DAVIS METRO FIRE SERVICE AREA**

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and  
Independent Auditor's Report**

**June 30, 2020**

**HBME, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**SOUTH DAVIS METRO FIRE SERVICE AREA**

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**CERTIFIED PUBLIC  
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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
South Davis Metro Fire Service Area  
Bountiful, Utah

***Report on the Financial Statements***

We have audited the accompanying basic financial statements of South Davis Metro Fire Service Area (the Service Area), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which comprise the Service Area's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Davis Metro Fire Service Area, as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and the pension schedules on pages 40-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2020 on our consideration of the Service Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Service Area's internal control over financial reporting and compliance.

***ABMC, LLC***

September 1, 2020

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Statement of Net Position**  
**June 30, 2020**

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,395,513
Accounts receivable, net	592,025
Property taxes receivable	3,368,398
Due from other governmental agencies	101,374
Inventory	10,545
Prepaid expenses	74,786
Total current assets	9,542,641

Noncurrent assets

Restricted cash and cash equivalents	1,389,461
Net pension asset	1,271,619
Capital assets, net	22,369,905
Intangible assets, net	25,235
Total noncurrent assets	25,056,220
Total assets	34,598,861

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	1,106,624
Deferred loss on refunding	22,162
Total deferred outflows of resources	1,128,786

(Continued)

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Statement of Net Position (Continued)**  
**June 30, 2020**

**LIABILITIES**

Liabilities:

Current liabilities:

Accounts payable	280,061
Accrued liabilities	262,643
Accrued interest payable	32,967
Compensated absences	589,474
Capital lease payable	33,458
Bonds payable	310,000
Note payable	82,082
Total current liabilities	1,590,685

Noncurrent liabilities:

Compensated absences	477,203
Bonds payable	9,629,930
Note payable	884,567
Net pension liability	147,342
Total noncurrent liabilities	11,139,042

Total liabilities	12,729,727
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**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pensions	1,177,859
Unavailable property taxes	3,088,241
Total deferred inflows of resources	4,266,100

**NET POSITION**

Net investment in capital assets	12,354,137
Restricted for debt service	512,589
Unrestricted	5,865,094
Total net position	\$ 18,731,820

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

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2020**

Operating revenues:	
Intergovernmental	\$ 6,624,172
Charges for services:	
Ambulance and paramedic fees	2,593,272
Other services	14,282
Other operating revenues	18,918
Total operating revenues	<u>9,250,644</u>
Operating expenses:	
Salaries and wages	6,766,320
Employee benefits	3,251,126
Travel and training	63,170
Office and other supplies	161,329
Repairs, maintenance, and fuel costs	345,566
Utilities	154,520
Dispatch fees	177,069
Professional services	271,490
Insurance	84,860
Clothing allowance	71,165
Medical supplies	116,641
Depreciation and amortization	1,133,947
Small equipment	243,915
Miscellaneous	46,105
Total operating expenses	<u>12,887,223</u>
Net operating loss	<u>(3,636,579)</u>
Nonoperating revenues (expenses):	
Property taxes	3,343,233
Grants	117,131
Impact fees collected by members	362,317
Nonemployer contributions - pensions	1,215,831
Contributions	126,036
Interest income	163,525
Interest expense	(359,709)
Gain on disposal of capital assets	41,757
Total nonoperating revenues (expenses)	<u>5,010,121</u>
Change in net position	1,373,542
Net position, beginning of year	17,358,278
Net position, end of year	<u><u>\$ 18,731,820</u></u>

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

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

Cash flows from operating activities:	
Receipts from customers and users	\$ 2,660,617
Receipts from member entities	6,624,172
Payments to vendors and suppliers	(2,228,069)
Payments to employees	(9,504,729)
Net cash used by operating activities	<u>(2,448,009)</u>
Cash flows from noncapital and related financing activities:	
Property tax and fee in lieu collected	3,226,250
Grant proceeds	117,131
Net cash provided by noncapital and related financing activities	<u>3,343,381</u>
Cash flows from capital and related financing activities:	
Impact fees and member contributions received	316,940
Purchase of capital assets	(3,583,075)
Proceeds from sale of capital assets	64,500
Principal paid on long-term debt	(415,163)
Interest paid on long-term debt	(401,600)
Contributions	126,036
Net cash used by capital and related financing activities	<u>(3,892,362)</u>
Cash flows from investing activities:	
Interest received	163,525
Net cash provided by investing activities	<u>163,525</u>
Decrease in cash and cash equivalents	(2,833,465)
Cash and cash equivalents, beginning of year	9,618,439
Cash and cash equivalents, end of year	<u><u>\$ 6,784,974</u></u>

(Continued)

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Statement of Cash Flows (Continued)**  
**For the Year Ended June 30, 2020**

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (3,636,579)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization	1,133,947
Net pension adjustment	318,121
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	34,145
Inventory	(3,308)
Prepaid expenses	(19,809)
Increase (decrease) in:	
Accounts payable	(469,122)
Accrued liabilities	74,987
Compensated absences	119,609
Net cash used by operating activities	<u>\$ (2,448,009)</u>

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

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements**  
**June 30, 2020**

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

South Davis Metro Fire Service Area (the Service Area) was established in 2015 by resolution of the Board of Fire Commissioners of South Davis Metro Fire Agency. The District is defined as a “Service Area” pursuant to the provisions of Title 17B of the Utah Code and commenced operations on July 1, 2016. The purpose of the Service Area is to provide fire protection, ambulance, and paramedic emergency services within its geographical boundaries, which include Bountiful City, Centerville City, North Salt Lake City, West Bountiful City, Woods Cross City, and some incorporated and unincorporated areas of southern Davis County. Upon commencing operations, the Service Area took control of all the assets and assumed all the liabilities of South Davis Metro Fire Agency and that entity ceased operations. The Service Area is not included in any other governmental reporting entity. There are no component units, as defined in *Governmental Accounting Standards Board (GASB) Statement No. 61*. The underlying concept of Statement No. 61 is that the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The accounting policies of the Service Area conform to generally accepted accounting principles in the United States of America (U.S. GAAP) as applicable to government units and are in accordance with established State of Utah legal restrictions as promulgated in the Fiscal Procedures Act. The GASB is the accepted standard setting body for establishing accounting and financial reporting principles. Financial reporting is based upon accounting guidance codified by the GASB. The following is a summary of the more significant policies.

Measurement Focus and Basis of Accounting

The Service Area reports as a single enterprise fund which is reported using the economic resources measurement focus and the accrual basis of accounting. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing certain goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues from operations, investments, and other sources are recognized when earned, expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Service Area receives value without directly giving equal value in return, includes property taxes and impact fee revenues. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Service Area are contributions from its six-member entities and charges to

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

customers for ambulance and paramedic services. Operating expenses include the cost of services, personnel, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Service Area's policy to use restricted resources before unrestricted resources.

Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the Service Area have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. A formal budget has been adopted and used as a control device during the year ended June 30, 2020. The budget is not required to be presented in these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. Service Area policy allows for the investment of funds with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (PTIF) and other investments allowed by the State of Utah's Money Management Act. The reported value of the PTIF is approximately the same as the fair value of its shares.

For purposes of the statement of cash flows, the Service Area considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash and Cash Equivalents

Certain resources are classified as restricted because their use is limited by an independent third party, enabling legislation, or other laws and statutes. These restrictions may include future debt service payments, unexpended portions of bonds issued, and impact fees.

Investments

Investments consist of debt securities and term deposits with financial institutions. Investments of the Service Area are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consists of ambulance and paramedic billings to customers and other miscellaneous items. These receivables are carried at original invoiced amount less an estimate for discounts and doubtful accounts. The Service Area considers a billing to be uncollectible when it is probable that the Service Area will not collect all amounts due according to the billings. The allowance for doubtful accounts is the Service Area's best estimate of the amount of probable losses in the Service Area's existing receivables. The Service Area determines this amount by identifying troubled accounts and by using historical experience applied to an aging of accounts. Account balances are written off against the allowance after all means of collection have been exhausted and collection is deemed remote. The allowance for doubtful accounts amounted to \$554,918 as of June 30, 2020. Recoveries of receivables previously written off are recorded as revenue when received.

Inventories and Prepaid Expenses

The Service Area maintains inventories of clothing and first aid kits. The Service Area values inventories at the lower of cost or market using the first-in, first out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses, using the consumption method.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and construction in progress, are reported in the financial statements at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are defined by the Service Area as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets useful lives are not capitalized, but expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year presented. The net book value of property sold or otherwise disposed of is removed from property and accumulated depreciation accounts and the resulting gain or loss is included as a nonoperating revenue or expense. No impairments were recorded on capital assets.

Depreciation is computed on the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10-50
Equipment	3-20
Vehicles	5-15

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets

Intangible assets include record management software used to track information related to billings associated with ambulance and paramedic services and other software. The software is amortized over the expected life of the asset, which the Service Area has determined to be five years. The Service Area reviews intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. No impairments have been recorded.

Compensated Absences

Service Area employees are entitled to certain compensated absences. All vacation benefits are accrued when incurred. Accrued vacation is accumulated and up to 30 days (240 hours for 40-hour per week employees, 360 hours for combat shift employees) may be carried over into the next calendar year. In the event of termination, employees are paid out for the entire amount of accumulated vacation. Accrued sick leave is accumulated and may be carried forward from one year to another without limit. In the event of termination, employees receive no benefit for accrued unused sick leave unless they are retiring under Utah Retirement System's guidelines. These retiring employees may convert 33.33% of their accrued but unused sick leave, up to a maximum of 320 hours, to cash at their current rate of pay.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Service Area has pension and a deferred loss on bond refunding reported in this category.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Service Area has pension and unavailable property tax items reported in this category.

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.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Service Area recognizes revenues when ambulance and paramedic services are performed. The Service Area estimates allowances in the period the revenue is reported based upon prior experience and other considerations. Contract discounts are estimated at the time of billing and are deducted from billings to insurance companies and governmental agencies. Member entity contributions are determined annually and are billed and received quarterly for the emergency services provided by the Service Area.

Property Tax Revenues

The property taxes of the Service Area are levied, collected and distributed by Davis County as required by Utah State law. Utah statutes establish the process by which taxes are levied and collected. The County Assessor is required to assess property (an approximation of market value) as of January 1<sup>st</sup> and complete the tax rolls by May 22<sup>nd</sup> for all real property. By July 21<sup>st</sup> the County Auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the County Board of Equalization between August 1<sup>st</sup> and September 15<sup>th</sup> for a revision of the assessed value. Approved changes in assessed value are made by November 1<sup>st</sup> when the completed assessment rolls must be delivered to the County Treasurer. Tax notices have a due date of November 30<sup>th</sup>.

In conjunction with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Service Area has also recorded a property tax receivable and a deferred inflow of resources of \$3,088,241 for property taxes levied during the year ended June 30, 2020 that are unavailable because they will be used to fund activities in the subsequent reporting period.

Income Taxes

The Service Area is exempt from all federal and state income taxes as a political division created by Utah State law.

Use of Estimates

Presenting financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions concerning assets, liabilities, revenues and expenses. Actual results may vary from these estimates.

Reclassifications

Certain amounts have been reclassified in the 2019 financial statements to conform with the 2020 presentation.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

2. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act (UMMA) that relate to the deposit and investment of public funds.

The Service Area follows the requirements of UMMA (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Service Area funds in a qualified depository, which is defined as a financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. UMMA defines types of securities authorized as appropriate investments for the Service Area's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Service Area to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in UMMA; and the Utah State Public Treasurers' Investment Fund (PTIF). The Service Area has complied with the UMMA and rules of the Money Management Council with regard to deposits and investments. The Service Area does not have a separate deposit and investment policy that addresses specific types of deposit and investment risks to which the Service Area is exposed, as they only invest in PTIF.

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah Public Treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by UMMA. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. 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 of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

*Fair Value of Investments*

The Service Area measures and records its investments using fair value measurement guidelines established by U.S. GAAP. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Financial instruments with quoted prices listed on active market exchanges.
- Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instruments. The prices are determined using significant unobservable inputs or valuation techniques. Quoted prices for identical investments in active markets.

At June 30, 2020, the Service Area had the following recurring fair value measurements.

<u>Investment Type</u>	<u>Fair Value Measurements Using</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
PTIF	\$ 4,437,723	\$ -	\$ 4,437,723
Total	\$ 4,437,723	\$ -	\$ 4,437,723

The Service Area's cash and cash equivalents and investments are exposed to certain risks as outlined below:

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Service Area's deposits may not be recovered. As of June 30, 2020, \$2,260,778 of the Service Area's bank balances of \$2,510,778 was uninsured and uncollateralized.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Service Area will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2020, the Service Area had investments of \$4,437,723 with the PTIF.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Service Area has no formal policy relating to specific investment-related interest rate risk. The Service Area manages its exposure by investing mainly in the PTIF and by adhering to the 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. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of June 30, 2020, the Service Area had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities in Years		
		Less than 1	1 to 5	More than 5
PTIF	\$ 4,437,723	\$ 4,437,723	\$ -	\$ -
Total	\$ 4,437,723	\$ 4,437,723	\$ -	\$ -

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Service Area's policy for limiting the credit risk of investments is to comply with the Money Management Act, as previously discussed. The Act only allows for investment in securities with the lowest risk of default.

As of June 30, 2020, the Service Area had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
PTIF	\$ 4,437,723	\$ -	\$ -	\$ -	\$ 4,437,723
Total	\$ 4,437,723	\$ -	\$ -	\$ -	\$ 4,437,723

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Service Area's investment in a single issuer. The Service Area's policy to reduce this risk is to adhere to the rules of the Money Management Council. The Council's Rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5-10% depending upon the total dollar amount held in the Service Area's portfolio at the time of purchase. The Service Area's investment in the PTIF has no concentration of credit risk as the PTIF is an external investment pool managed by the Utah State Treasurer. The Service Area also had no concentration of credit risk in its other investments.

Following are the Service Area's cash and cash equivalents and investments as of June 30, 2020:

Cash on hand and on deposit	Carrying Value
Cash on hand	\$ 100
Cash on deposit	2,347,151
PTIF accounts	4,437,723
Total cash on hand and deposit	\$ 6,784,974

3. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted assets consist of amounts maintained by bond trustees as required by the emergency services revenue bonds. Following is a summary of restricted cash and cash equivalents as of June 30, 2020:

Restricted cash and cash equivalents:	
Restricted for capital projects	\$ 876,872
Restricted for debt service	512,589
Total restricted cash and cash equivalents	\$ 1,389,461

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,235,604	\$ -	\$ -	\$ 2,235,604
Construction in progress	3,280,438	666,832	(3,274,848)	672,422
Total capital assets, not depreciated	5,516,042	666,832	(3,274,848)	2,908,026
Capital assets, being depreciated:				
Buildings and improvements	11,412,038	5,388,237	-	16,800,275
Equipment	1,958,726	372,433	(13,147)	2,318,012
Vehicles	6,772,004	423,108	(296,824)	6,898,288
Total capital assets, depreciated	20,142,768	6,183,778	(309,971)	26,016,575
Less: accumulated depreciation for:				
Buildings and improvements	1,733,973	394,158	-	2,128,131
Equipment	963,549	185,568	(7,473)	1,141,644
Vehicles	3,025,462	539,215	(279,756)	3,284,921
Total accumulated depreciation	5,722,984	1,118,941	(287,229)	6,554,696
Total capital assets depreciated, net	14,419,784	5,064,837	(22,742)	19,461,879
Capital assets, net	\$ 19,935,826	\$ 5,731,669	\$ (3,297,590)	\$ 22,369,905

Depreciation expense for the year ended June 30, 2020 was \$1,118,941.

5. INTANGIBLE ASSETS

Intangible asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Software	\$ 72,594	\$ 7,312	\$ -	\$ 79,906
Less: accumulated amortization	(39,665)	(15,006)	-	(54,671)
Total intangible assets, net	\$ 32,929	\$ (7,694)	\$ -	\$ 25,235

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

6. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	\$ 9,280,000	\$ -	\$ (300,000)	\$ 8,980,000	\$ 310,000
Bond premiums	1,002,594	-	(42,664)	959,930	-
Total bonds payable	10,282,594	-	(342,664)	9,939,930	310,000
Capital lease	66,916	-	(33,458)	33,458	33,458
Note payable	1,048,354	-	(81,705)	966,649	82,082
Compensated absences	947,068	750,689	(631,080)	1,066,677	589,474
Total long-term liabilities	<u>\$ 12,344,932</u>	<u>\$ 750,689</u>	<u>\$ (1,088,907)</u>	<u>\$ 12,006,714</u>	<u>\$ 1,015,014</u>

Revenue Bonds

In December 2017, the Service Area issued \$9,565,000 in Emergency Services Revenue and Refunding Bonds, Series 2017. The Series 2017 were issued to finance the refunding of Series 2006 Ambulance Services Revenue Bonds, construction of a new fire station, upgrades to two existing fire stations, and a new ladder truck.

Revenue bonds outstanding at June 30, 2020 are as follows:

Purpose	Original Issue	Annual Principal	Interest Rates	Installments Begin Date	Maturity Date	Amount
Emergency Services Revenue & Refunding Bonds, Series 2017	\$9,565,000	\$285,000 to \$530,000	3.0% - 5.0%	12/1/2018	12/1/2042	\$ 8,980,000
Less: current maturities						(310,000)
Total long-term revenue bonds						<u>\$ 8,670,000</u>

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

6. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 310,000	\$ 389,400	\$ 699,400
2022	320,000	376,800	696,800
2023	335,000	363,700	698,700
2024	345,000	350,100	695,100
2025	360,000	336,000	696,000
2026 - 2030	1,935,000	1,399,625	3,334,625
2031 - 2035	1,690,000	1,014,650	2,704,650
2036 - 2040	2,155,000	548,475	2,703,475
2041 - 2043	1,530,000	93,400	1,623,400
	<u>\$ 8,980,000</u>	<u>\$ 4,872,150</u>	<u>\$ 13,852,150</u>

Capital Lease

In December 2016, the Service Area acquired five heart monitors/defibrillators through a capital lease arrangement for \$167,290. The lease has no interest rate with principal payments due annually beginning in January 2017 and ending in January 2021. Collateral on this lease is the related equipment acquired. As of June 30, 2020, these assets have a total accumulated depreciation of \$83,809.

The future minimum lease obligations of these lease payments as of June 30, 2020 are as follows:

Year Ending June 30,	Payment	Interest	Total
2021	<u>\$ 33,458</u>	<u>\$ -</u>	<u>\$ 33,458</u>

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

6. LONG-TERM DEBT (CONTINUED)

Note Payable

In July 2016, the Service Area entered into an interlocal agreement with Bountiful City (the City) acknowledging that the City effectively prepaid its proportionate share of the Service Area's initial capital improvements through contribution of assets it provided to the Service Area and is, therefore, relieved of any present and future obligation for payment of debt service on the Series 2006 Ambulance Services Revenue Bonds. The Service Area also began levying ad valorem taxes for the payment of debt service on those bonds, which entitled the City to a credit against any assessment levied pursuant to the interlocal agreement for the amount of revenue received by the Service Area from the assessed valuation of real and personal property located in the City and motor vehicle fees based on the City's assessed valuation. The credit was calculated and estimated to be \$1,145,282 for which the Service Area has agreed to pay the City, at 0% interest, annual installment ranging from approximately \$15,833 to \$82,081 from June 2018 to June 2033.

Annual debt service requirements to maturity for note payable is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 82,081	\$ -	\$ 82,081
2022	75,752	-	75,752
2023	75,521	-	75,521
2024	75,224	-	75,224
2025	74,861	-	74,861
2026 - 2030	375,274	-	375,274
2031 - 2033	207,936	-	207,936
	<u>\$ 966,649</u>	<u>\$ -</u>	<u>\$ 966,649</u>

Total interest expense incurred on long-term debt for the year ended June 30, 2020 was \$359,709, of which none was capitalized.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS

General Information about the Pension Plan

Plan Description

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

**Defined Benefit Plans**

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

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning work on or after July 1, 2011, who have no previous service credit with URS, 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 East 200 South, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Benefits Provided

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

**Summary of Benefits by System**

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA **
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Firefighter 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 present	Up to 4%
Tier 2 Public Employees	Highest 5 years	35 years any age 20 years any age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.50%
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 2020 2.0% per year July 2020 to present	Up to 2.50%

\*with actuarial reductions

\*\*All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for 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.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Contribution 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 URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2020 are as follows:

**Utah Retirement Systems**

	<b>Employee</b>	<b>Employer</b>	<b>Employer 401(k)</b>
<b>Contributory System</b>			
111- Local Governmental Division Tier 2	N/A	15.66%	1.03%
<b>Noncontributory System</b>			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
<b>Firefighters Retirement System</b>			
31 - Other Division A	15.05%	4.61%	N/A
132 - Tier 2 DB Hybrid Firefighters	N/A	11.38%	70.00%
<b>Tier 2 DC Only</b>			
211 Local Government	N/A	6.69%	10.00%
232 - Firefighters	N/A	0.08%	12.00%

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

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

<b>System</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 15,563	N/A
Firefighters System	151,703	495,255
Tier 2 Public Employees System	6,509	-
Tier 2 Public Safety and Firefighter System	218,354	-
Tier 2 DC Only System	4,253	N/A
Tier 2 DC Public Safety and Firefighter System	259	N/A
Total Contributions	<u>\$ 396,641</u>	<u>\$ 495,255</u>

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

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

At June 30, 2020, the Service Area reported a net pension asset of \$1,271,619 and a net pension liability of \$147,342.

	<u>Measurement Date: December 31, 2019</u>			<u>Proportionate Share December 31, 2018</u>	<u>Change</u>
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>		
Noncontributory System	\$ -	\$ 44,782	0.0118821%	0.0140429%	-0.0021608%
Firefighters System	1,271,619	-	10.2533444%	10.5784551%	-0.3251107%
Tier 2 Public Employees System	-	673	0.0029903%	0.0023424%	0.0006479%
Tier 2 Public Safety and Firefighters	-	101,887	1.0831665%	1.1976765%	-0.1145100%
Total Net Pension Asset / Liability	<u>\$ 1,271,619</u>	<u>\$ 147,342</u>			

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

For the year ended June 30, 2020, the Service Area recognized pension expense of (\$502,046).

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 281,791	\$ 178,731
Changes in assumptions	571,455	103,803
Net difference between projected and actual earnings on pension plan investments	-	881,001
Changes in proportion and differences between contributions and proportionate share of contributions	55,815	14,324
Contributions subsequent to the measurement date	<u>197,563</u>	<u>-</u>
Total	<u>\$ 1,106,624</u>	<u>\$ 1,177,859</u>

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

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

The \$197,562 reported as deferred outflows of resources related to pensions results from contributions made by the Service Area prior to the fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2020	\$ (166,095)
2021	(124,997)
2022	197,506
2023	(241,890)
2024	21,456
Thereafter	45,222

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Expense, Deferred Outflows and Inflows by System

Noncontributory System

For the year ended June 30, 2020, the Service Area recognized pension expense of \$24,517.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,072	\$ 643
Changes in assumptions	4,743	-
Net difference between projected and actual earnings on pension plan investments	-	22,647
Changes in proportion and differences between contributions and proportionate share of contributions	7,367	7,549
Contributions subsequent to the measurement date	7,782	-
Total	<u>\$ 23,964</u>	<u>\$ 30,839</u>

The \$7,782 reported as deferred outflows of resources related to pensions results from contributions made by the Service Area prior to the fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ (79)
2020	(5,268)
2021	(699)
2022	(8,611)

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Expense, Deferred Outflows and Inflows by System (Continued)

Firefighters System

For the year ended June 30, 2020, the Service Area recognized pension expense of (\$830,813).

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 247,070	\$ 177,824
Changes in assumptions	542,226	102,864
Net difference between projected and actual earnings on pension plan investments	-	832,793
Changes in proportion and differences between contributions and proportionate share of contributions	29,326	1,072
Contributions subsequent to the measurement date	74,693	-
Total	<u>\$ 893,315</u>	<u>\$ 1,114,553</u>

The \$74,692 reported as deferred outflows of resources related to pensions results from contributions made by the Service Area prior to the fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ (163,685)
2020	(117,840)
2021	196,150
2022	(227,650)
2023	17,014
Thereafter	80

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Expense, Deferred Outflows and Inflows by System (Continued)

Tier 2 Public Employees System

For the year ended June 30, 2020, the Service Area recognized pension expense of \$3,793.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 188	\$ 231
Changes in assumptions	287	19
Net difference between projected and actual earnings on pension plan investments	-	517
Changes in proportion and differences between contributions and proportionate share of contributions	697	-
Contributions subsequent to the measurement date	5,382	-
Total	<u>\$ 6,554</u>	<u>\$ 767</u>

The \$5,382 reported as deferred outflows of resources related to pensions results from contributions made by the Service Area prior to the fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2019	\$ (60)
2020	(50)
2021	38
2022	(128)
2023	79
Thereafter	526

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Pension Expense, Deferred Outflows and Inflows by System (Continued)

Tier 2 Public Safety and Firefighters System

For the year ended June 30, 2020, the Service Area recognized pension expense of \$300,457.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 30,460	\$ 33
Changes in assumptions	24,199	920
Net difference between projected and actual earnings on pension plan investments	-	25,044
Changes in proportion and differences between contributions and proportionate share of contributions	18,426	5,703
Contributions subsequent to the measurement date	109,706	-
Total	<u>\$ 182,791</u>	<u>\$ 31,700</u>

The \$109,706 reported as deferred outflows of resources related to pensions results from contributions made by the Service Area prior to the fiscal year end, but subsequent to the measurement date of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2019	\$ (2,271)
2020	(1,839)
2021	2,018
2022	(5,501)
2023	4,363
Thereafter	44,615

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

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

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

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

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

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

<b>Asset Class</b>	<b>Expected Return Arithmetic Basis</b>		
	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.90%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	<u>Inflation</u>		<u>2.50%</u>
	<u>Expected arithmetic nominal return</u>		<u>7.25%</u>

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

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions (Continued)

*Discount Rate*

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

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

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

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 139,870	\$ 44,782	\$ (34,520)
Firefighters System	2,600,482	(1,271,619)	(4,412,696)
Tier 2 Public Employees System	5,800	673	(3,290)
Tier 2 Public Safety and Firefighter	359,929	101,887	(89,666)
Total	<u>\$ 3,106,081</u>	<u>\$ (1,124,277)</u>	<u>\$ (4,540,172)</u>

Pension Plan Fiduciary Net Position

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

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

7. EMPLOYEE RETIREMENT PLANS (CONTINUED)

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah State 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 Service Area participates in a 401(k), 457(b), Roth IRA, and Traditional IRA Defined Contribution Savings Plans with URS. Employee and employer contributions to these plans for the year ended June 30, were as follows:

	<u>2020</u>		<u>2019</u>		<u>2018</u>
401(k) Plan*					
Employer contributions	\$ 59,019	\$	39,357	\$	36,625
Employee contributions	46,053		46,381		43,408
457 Plan					
Employer contributions	-		-		-
Employee contributions	141,351		132,616		148,260
Roth IRA Plan					
Employer contributions	N/A		N/A		N/A
Employee contributions	40,607		31,748		23,550
Traditional IRA					
Employer contributions	N/A		N/A		N/A
Employee contributions	1,560		1,560		1,310

\* The employer paid 401(k) contributions include the totals paid for employees in the Tier 2 Defined Contribution 401(k) Plan.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

8. INTERLOCAL AGREEMENTS

The Service Area is operated by tax revenues supplied by the six-member entities within its geographical boundaries. The governing board is comprised of officials from these entities. During the year ended June 30, 2020, these entities provided the following revenues to the Service Area for its operations:

Bountiful City	\$ 2,075,407
Centerville City	893,720
North Salt Lake City	1,347,398
West Bountiful City	608,603
Woods Cross City	610,741
Davis County	316,043
	\$ 5,851,912

The Service Area has also entered into an interlocal cooperation agreement with Davis County. Under this agreement, the Service Area is required to house and operate two paramedic units in the County. The County imposes a paramedic and ambulance levy, from which the Service Area received \$772,260 during the year ended June 30, 2020. This amount, along with the above amounts paid by the six-member entities, is reported as intergovernmental revenue in the statement of revenues, expenses, and changes in net position.

Dispatch services for the Service Area were provided by Bountiful City during the year ended June 30, 2020. Total dispatch fee expense for the year amounted to \$177,069. Although no formal written agreement is in place, Bountiful City will continue to provide dispatch services for the Service Area in the subsequent reporting period.

The Service Area also receives impact fees to assist with capital projects from five of the member entities. The impact fees are enacted and collected by these member entities and then remitted to the Service Area. During the year ended June 30, 2020, the Service Area received the following impact fees:

Bountiful City	\$ 19,964
Centerville City	22,540
North Salt Lake City	240,814
West Bountiful City	26,625
Woods Cross City	44,375
Davis County	7,999
	\$ 362,317

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2020**

9. RISK MANAGEMENT

The Service Area is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Service Area has commercial insurance coverage for these potential risks. The Service Area also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. OTHER INFORMATION

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen across a range of industries, including the public sector. The extent of the impact of COVID-19 on the Service Area's operations and financial performance will depend on certain developments, including the duration and spread of the outbreak as well as its impact on revenues from federal, state, and local sources, all of which cannot be fully predicted. The Service Area did apply a reduction in non-essential spending in order to acquire personal protective equipment and supplies needed for the pandemic. The extent to which COVID-19 may continue to impact the financial condition of the Service Area is uncertain and budgetary adjustments have or are being made for fiscal year 2021.

**REQUIRED SUPPLEMENTAL INFORMATION**

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years\***

	As of December 31,	Proportion of Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
Noncontributory System	2016	0.0101175%	\$ 64,967	\$ 88,813	73.15%	87.30%
	2017	0.0109894%	48,148	81,637	58.98%	91.90%
	2018	0.0140429%	103,408	103,578	99.84%	87.00%
	2019	0.0118821%	44,782	79,276	56.49%	93.70%
Firefighters Retirement System	2016	11.5608385%	\$ (91,140)	\$ 3,246,918	-2.81%	100.40%
	2017	10.9534331%	(684,100)	3,204,467	-21.35%	103.00%
	2018	10.5784551%	1,373,584	3,280,313	41.87%	94.30%
	2019	10.2533444%	(1,271,619)	3,282,853	-38.74%	105.00%
Tier 2 Public Employees System	2018	0.0234240%	\$ 1,002	\$ 26,725	3.75%	90.80%
	2019	0.0029903%	\$ 673	\$ 41,571	1.62%	96.50%
Tier 2 Public Safety and Firefighters Retirement System	2016	0.8338829%	\$ (7,239)	\$ 688,978	-1.05%	103.60%
	2017	0.7536485%	(8,720)	795,489	-1.10%	103.00%
	2018	1.1976765%	30,009	1,601,583	1.87%	95.60%
	2019	1.0831665%	101,887	1,785,274	5.71%	89.60%

**Note:**

\* This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Schedule of Pension Contributions**  
**Last 10 Fiscal Years\***

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Noncontributory System	2017	\$ 16,482	\$ 16,482	\$ -	\$ 89,236	18.47%
	2018	17,626	17,626	-	95,428	18.47%
	2019	15,204	15,204	-	82,314	18.47%
	2020	15,563	15,563	-	84,261	18.47%
Firefighters System	2017	\$ 124,518	\$ 124,518	\$ -	\$ 3,200,972	3.89%
	2018	127,465	127,465	-	3,245,922	3.93%
	2019	149,923	149,923	-	3,271,062	4.58%
	2020	151,703	151,703	-	3,290,727	4.61%
Tier 2 Public Employees System*	2019	\$ 6,955	\$ 6,955	\$ -	\$ 44,756	15.54%
	2020	6,509	6,509	-	41,577	15.66%
Tier 2 Public Safety and Firefighters System*	2017	\$ 76,467	\$ 76,467	\$ -	\$ 711,328	10.75%
	2018	125,846	125,846	-	1,163,288	10.82%
	2019	195,582	195,582	-	1,699,619	11.51%
	2020	218,354	218,354	-	1,918,972	11.38%
Tier 2 Public Employees DC Only System*	2017	\$ 2,743	\$ 2,743	\$ -	\$ 41,001	6.69%
	2018	3,883	3,883	-	58,049	6.69%
	2019	3,725	3,725	-	55,680	6.69%
	2020	4,253	4,253	-	63,575	6.69%
Tier 2 Public Safety and Firefighters DC Only System	2017	\$ 106	\$ 106	\$ -	\$ 132,049	0.08%
	2018	100	100	-	124,908	0.08%
	2019	130	130	-	162,147	0.08%
	2020	259	259	-	322,907	0.08%

**Note:**

This schedule usually covers the 10 most recent fiscal years; however, this is the information available as of the implementation year of GASB 68.

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

\* 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.

**SOUTH DAVIS METRO FIRE SERVICE AREA**  
**Notes to the Required Supplementary Information**  
**June 30, 2020**

1. ACTUARIALLY DETERMINED PENSION CONTRIBUTIONS

Contribution rates include an amount for normal cost, the estimated amount necessary to finance benefits earned by the members during the current year, and an amount for amortization of the unfunded or excess funded actuarial accrued liability over a closed 20-year amortization period. The rates are determined using the entry age actuarial cost method.

Contributions made were in accordance with actuarially computed funding requirements. For contribution rate purposes, the actuary evaluates the assets of the plan based on a 5-year smoothed expected return wherein 20 percent of a year's excess or shortfall of expected return is recognized each year for five years.

2. CHANGES IN ASSUMPTIONS

As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighters Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighters System, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

## **COMPLIANCE SECTION**



COMMITTED. EXPERIENCED. TRUSTED

**CERTIFIED PUBLIC ACCOUNTANTS**

- E. LYNN HANSEN, CPA
- CLARKE R. BRADSHAW, CPA
- GARY E. MALMROSE, CPA
- EDWIN L. ERICKSON, CPA
- MICHAEL L. SMITH, CPA
- JASON L. TANNER, CPA
- ROBERT D. WOOD, CPA
- AARON R. HIXSON, CPA
- TED C. GARDINER, CPA
- JEFFREY B. MILES, CPA
- SHAWN F. MARTIN, CPA

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

Board of Trustees  
South Davis Metro Fire Service Area

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 South Davis Metro Fire Service Area (the Service Area) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Service Area’s basic financial statements, and have issued our report thereon dated September 1, 2020.

***Internal Control over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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

***HBMC, LLC***

September 1, 2020



COMMITTED. EXPERIENCED. TRUSTED

**CERTIFIED PUBLIC ACCOUNTANTS**

- E. LYNN HANSEN, CPA
- CLARKE R. BRADSHAW, CPA
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- JEFFREY B. MILES, CPA
- SHAWN F. MARTIN, CPA

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

Board of Trustees  
South Davis Metro Fire Service Area

***Report on Compliance with General State Compliance Requirements***

We have audited South Davis Metro Fire Service Area’s (the Service Area) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the Service Area for the year ended June 30, 2020.

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

- |                         |                              |
|-------------------------|------------------------------|
| Budgetary Compliance    | Fund Balance                 |
| Utah Retirement Systems | Open and Public Meetings Act |
| Fraud Risk Assessment   | Cash Management              |
| Impact Fees             |                              |

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on the Service Area’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 Service Area’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 Service Area's compliance with those requirements.

### ***Opinion on General State Compliance Requirements***

In our opinion, South Davis Metro Fire Service Area complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2020.

### ***Report on Internal Control Over Compliance***

Management of the Service Area 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 Service Area's internal control over compliance with the state compliance requirement 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 Service Area's internal control over compliance.

*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 detect and correct, noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

***Purpose of This Report***

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

***ABMC, LLC***

September 1, 2020