LONE PEAK PUBLIC SAFETY DISTRICT
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2006

LONE PEAK PUBLIC SAFETY DISTRICT

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YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

November 1, 2006

Board of Public Safety Commissioners
Lone Peak Public Safety District

I have audited the accompanying financial statements of the governmental activities and each major fund of Lone Peak Public Safety District, (District) as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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 at June 30, 2006 and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated November 1, 2006 on my consideration of Lone Peak Public Safety District Utah's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

THE CPA. NEVER UNDERESTIMATE THE VALUE.®

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Greg Ogden CPA

Greg Ogden
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lone Peak Public Safety District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Lone Peak Public Safety District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Lone Peak Public Safety District increased $ 46,786 (6.3%) to $787,284.

- The total net assets of $787,284 are made up of $624,867 in capital assets net of related debt and $162,417 in unrestricted net assets.

REPORTING THE DISTRICT AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Lone Peak Public Safety District's basic financial statements. Lone Peak Public Safety District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Lone Peak Public Safety District's finances, in a manner similar to a private-sector business.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lone Peak Public Safety District, assets exceed liabilities by $787,284.

Part of Lone Peak Public Safety District's net assets (79.4%) reflects its investment in capital assets (e.g., vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services; consequently, these assets are not available for future spending.

STATEMENT OF NET ASSETS (In dollars)

	District Activities 2005-2006	District Activities 2004-2005
Current Assets	$ 575,398	$ 596,182
Capital Assets	1,032,613	880,990
Total Assets	1,608,011	1,477,172
Current Liabilities	115,573	8,979
Noncurrent Liabilities	705,154	727,695
Total Liabilities	820,727	736,674
Net Assets:		
Invested in Capital Assets, Net of Debt	624,867	208,494
Unrestricted	162,417	532,004
Total Net Assets	**$ 787,284**	**$ 740,498**

CHANGES IN NET ASSETS (In dollars)

	District Activities 2005-2006	District Activities 2004-2005
Program Revenues:		
Charges for Services	$2,684,247	$ 2,419,399
Capital Grants and Contributions	54,988	235,372
General Revenues:		
Other Revenues	53,354	72,557
Total Revenues	2,792,589	2,727,328
District Expenses		
Total Expenses	2,745,803	2,533,176
Change in Net Assets	46,786	194,152
Net Assets Beginning	740,498	546,346
Net Assets Ending	**$ 787,284**	**$ 740,498**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Lone Peak Public Safety District's investment in capital assets as of June 30, 2006, amounts to $1,032,613 (net of accumulated depreciation). The District's investment in fixed assets for the current year increased by $151,623 due to the capital assets purchased during the year.

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

Spillman Computer System	2006 Ambulance
2- 2006 Yamaha Snowmobiles & Trailer	2 - 2006 Dodge Pickups
2006 Dodge Durango	2006 Dodge Durango

Additional information on the District's capital assets can be found in the footnotes to this financial report and also the supplemental section.

During the 2005-2006 the District entered into one new lease. At the end of fiscal year 2005-2006 the District has six leases with a total outstanding balance of $637,482.

NEXT YEAR'S BUDGET

The District budget for the fiscal year ending June 30, 2007 reflects an increase to $3,214,305 compared to $2,996,398 for the prior fiscal year-ended June 30, 2006. The increase is due to the hiring of 3 new police officers and additional man-hours for fire and EMS coverage.

REQUESTS FOR INFORMATION

This financial report is designed to provide general overview of Lone Peak Public Safety District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director, Lone Peak Public Safety District, 5378 West 10400 North, Highland, UT 84003

BASIC FINANCIAL STATEMENTS

LONE PEAK PUBLIC SAFETY DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 426,872
Accounts Receivable	148,526
TOTAL CURRENT ASSETS	575,398
NONCURRENT ASSETS	
Capital Assets	
Depreciable Assets (net of Depreciation)	1,032,613
TOTAL NONCURRENT ASSETS	1,032,613
TOTAL ASSETS	1,608,011
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	115,573
TOTAL CURRENT LIABILITIES	115,573
NONCURRENT LIABILITIES	
Due Within One Year	131,350
Due in more than One Year	573,804
TOTAL NONCURRENT LIABILITIES	705,154
TOTAL LIABILITIES	820,727
NET ASSETS	
Investment in Capital Assets, Net of Related Debt	624,867
Unrestricted	162,417
TOTAL NET ASSETS	$ 787,284

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS					
Governmental Activities					
Administrative	$ 48,697	$ 45,000	$ -	$ -	$ (3,697)
Police	1,722,262	1,686,557	-	28,999	(6,706)
Fire and EMS	974,844	952,690	-	25,989	3,835
Total Governmental Activities	$ 2,745,803	$ 2,684,247	$ -	$ 54,988	(6,568)
		General Revenues			
		Proceeds from Sale of Assets			19,160
		Unrestricted Investment Earnings			17,952
		Miscellaneous			16,242
		Total General Revenues			53,354
		Change in Net Assets			46,786
		Net Assets - Beginning			740,498
		Net Assets - Ending			$ 787,284

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 426,872
Accounts Receivable	148,526
TOTAL CURRENT ASSETS	575,398
TOTAL ASSETS	$ 575,398
LIABILITIES, FUND EQUITY AND OTHER CREDITS	
CURRENT LIABILITIES	
Accounts Payable	$ 115,573
Compensated Absences	44,095
TOTAL CURRENT LIABILITIES	159,668
TOTAL LIABILITIES	159,668
FUND EQUITY	
Designated for	
Administration	53,306
Police	87,440
Fire	274,984
TOTAL FUND EQUITY	415,730
TOTAL LIABILITIES AND FUND EQUITY	$ 575,398

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

TOTAL GOVERNMENTAL FUNDS BALANCES	$ 415,730
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	1,032,613
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(661,059)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 787,284

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General
REVENUES	
Administration	
Charges for Services	$ 45,000
Interest Income	17,952
Miscellaneous Income	1,944
Police	
Charges for Services	1,666,074
Court Revenues	19,098
Report Charges	1,385
Grants	28,999
Proceeds from Sale of Assets	19,160
Miscellaneous Income	10,923
Fire and EMS	
Charges for Services	528,944
Ambulance Charges	423,746
Grants	25,989
Proceeds from Lease	88,000
Miscellaneous Income	3,375
TOTAL REVENUES	2,880,589
EXPENDITURES	
Administration	48,697
Police	1,890,361
Fire and EMS	1,078,583
TOTAL EXPENDITURES	3,017,641
EXCESS OF REVENUES OVER EXPENDITURES	(137,052)
BEGINNING FUND BALANCE	552,782
ENDING FUND BALANCE	$ 415,730

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

EXCESS OF REVENUES OVER EXPENDITURES	$ (137,052)
Amounts reported for governmental activities in the statement of activites are different because	
Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	151,623
Issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items.	35,014
Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are reported as revenues or expenditures in the governmental funds.	(2,799)
CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	$ 46,786

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Administration				
Charges for Services	$ 45,000	$ 45,000	$ 45,000	$ -
Interest Income	7,200	18,000	17,952	(48)
Miscellaneous Income	500	500	1,944	1,444
Police				
Charges for Services	1,674,705	1,674,705	1,666,074	(8,631)
Court Revenues	10,000	10,000	19,098	9,098
Report Charges	1,000	1,000	1,385	385
Grants	37,000	37,000	28,999	(8,001)
Proceeds from Sale of Assets	31,000	31,000	19,160	(11,840)
Miscellaneous Income	5,000	10,000	10,923	923
Fire and EMS				
Charges for Services	519,233	528,733	528,944	211
Ambulance Charges	310,000	360,000	423,746	63,746
Grants	10,000	50,000	25,989	(24,011)
Proceeds from Lease	-	88,000	88,000	-
Miscellaneous Income	8,000	1,500	3,375	1,875
TOTAL REVENUES	2,658,638	2,855,438	2,880,589	25,151
EXPENDITURES				
Administration	52,700	52,700	48,697	4,003
Police	1,808,705	1,884,705	1,890,361	(5,656)
Fire and EMS	862,233	1,059,233	1,078,583	(19,350)
TOTAL EXPENDITURES	2,723,638	2,996,638	3,017,641	(21,003)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(65,000)	(141,200)	(137,052)	4,148
FUND BALANCE ALLOCATION	65,000	141,200	-	141,200
EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS	$ -	$ -	$ (137,052)	$ 145,348

See the accompanying notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lone Peak Public Safety District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the District's accounting policies.

The Reporting Entity

Lone Peak Public Safety District was organized by the cities of Alpine and Highland as a fire and emergency medical services (EMS) district on January 1, 1996. On July 1, 1996 the District added a police department. In 2002, the town of Cedar Hills joined the district as a member of the fire and EMS portions. The District accounts for its operations as a governmental-type fund; activities are financed and the cost of services are recovered primarily through user charges, grants and equal direct payments from the member cities based on each member's share of the District's annual budget.

The District is governed by a Board of Public Safety Commissioners (Board) composed of two elected or appointed officials from each of the participating cities.

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the District. Governmental activities are supported by charges for services, contributions and intergovernmental revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

NOTE 1 - (CONTINUED)

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

Earned but unreimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental fund:

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

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash 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. The District's investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the District's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Capital assets

Capital assets, which include land, buildings, improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

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

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

Classification	Range of Lives
Machinery and Equipment	3-40 years

NOTE 1 - (CONTINUED)

C. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. No more than 30 days of vacation may be carried forward. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. However, no accumulated, unused sick leave will be paid at termination.

D. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

E. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the District's management for specific purposes. These represent tentative management plans that are subject to change.

F. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates and Assumptions

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

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land and improvements) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Police Equipment	$ 648,223
Fire/EMS	1,480,738
Less Accumulated Depreciation	(1,096,348)
Net Capital Asset Difference	$ 1,032,613

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Leases Payable	$ (637,482)
Long-Term Compensated Absences	(23,577)
Total Long-Term Liability Difference	$ (661,059)

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	$ 388,348
Depreciation Expense	(236,725)
Net Difference	$ 151,623

NOTE 2 - (CONTINUED)

Long-term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Proceeds from Lease	$ (88,000)
Debt Repayments	123,014
	$ 35,014

The change in long-term compensated absences is not reported in the statement of revenues, expenditures and changes in fund balance. The change is reported in the statement of activities.

Change in Long-Term Compensated Absences	$ 2,799

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the Board in May, the District Director submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the members' City Councils review and adjust the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

Under Utah State law, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events. A public hearing must be held to increase the total appropriations the governmental fund.

NOTE 4 - CASH AND INVESTMENTS

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

NOTE 4 - (CONTINUED)

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. 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 & Poors; bankers acceptances; 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 in the Act.

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

As of June 30, 2006, the District had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund (PTIF)	$346,694	$ 346,694	$ -	$ -	$ -

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	$ 79,978
Cash on Hand	200
Investments	346,694
Total	$ 426,872

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments my not exceed the period of availability of the funds to be invested. The act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the Districts's investments are noted above.

NOTE 5 - ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30, 2006:

Ambulance Accounts Receivable	$ 154,891
Allowance for Doubtful Accounts	(16,325)
Other Accounts Receivable	9,960
Total Accounts Receivable	$ 148,526

NOTE 6 - CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets being Depreciated				
Police Equipment	$ 498,422	$ 238,015	$ (88,214)	$ 648,223
Fire/EMS Equipment	1,421,405	150,333	(91,000)	1,480,738
Less Accumulated Depreciation	(1,038,837)	(236,725)	179,214	(1,096,348)
Capital Assets, Net	$ 880,990	$ 151,623	$ -	$ 1,032,613

Depreciation was charged to the functions/programs of the District as follows:

Police	$ 91,992
Fire and EMS	144,733
Total Depreciation Expense	$ 236,725

NOTE 7 - LONG-TERM DEBT

The District has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All District lease contracts contain a fiscal non-funding clause, which gives the Board the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of the District's management, the likelihood of this clause being exercised is remote.

NOTE 7 - (CONTINUED)

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2006.

Year Ending June 30	Governmental Activities
2007	$ 114,868
2008	96 177
2009	96,177
2010	96,177
2011	63,626
2012-2016	247,801
2017-2018	78,855
Total Minimum Lease Payments	793,681
Interest Portion	(156,199)
Present Value of Net Minimum Lease Payments	$ 637,482

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Leases					
Fire Truck/Ambulance	$ 147,810	$ -	$ (27,675)	$ 120,135	$ 28,587
Ambulance/2 Brush Trucks	63,092	-	(45,128)	17,964	17,964
Fire Truck	374,865	-	(21,434)	353,431	22,463
3 Dodge Intrepids	20,303	-	(20,303)	-	-
Rescue Truck	66,426	-	(8,474)	57,952	8,792
Ambulance	-	88,000	-	88,000	9,449
Compensated Absences	55,199	12,473	-	67,672	44,095
	$ 727,695	$ 100,473	$ (123,014)	$ 705,154	$ 131,350

NOTE 8 - ECONOMIC DEPENDENCY

The District depends upon the continued financial support of both the City of Alpine and the City of Highland. Alpine and Highland remitted $870,681 (30%) and $1,199,546 (38%) respectively, of the 2006 fiscal year total revenues received by the District.

NOTE 9 - RETIREMENT PLANS

The District contributes to the Local Government Noncontributory Retirement System, the Public Safety Retirement System and the Firefighters Retirement System for employers with Social Security coverage which are all cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

NOTE 9 - (CONTINUED)

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 11.09% to the Local Government Division, 19.34% to the Public Safety Retirement System, and 8.61% to the Firefighters Retirement System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Lone Peak Public Safety District contributions to the various systems for the years ended June 30, 2006, 2005, and 2004 respectively were; for the Local Government Division, $6,873, $8,399, and $5,406; for the Public Safety Retirement System, $143,317, $124,955, and $99,308; and for the Firefighters Retirement System, $6,071, $5,216, and $4,630, respectively. The contributions were equal to the required contributions for each year.

NOTE 10 - DEFERRED COMPENSATION PLANS

The District sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some District employees covered by the State's contributory retirement plans. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the District or its general creditors. The District's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the year ended June 30, 2006, contributions totaling $10,761 were made to the plan by employees and $2,259 by the District.

The District sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 457 for some District employees covered by the State's contributory retirement plans. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the District or its general creditors. The District's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the year ended June 30, 2006, contributions totaling $3,061 were made to the plan by the District and $2,029 by the employees.

NOTE 11 - RISK MANAGEMENT

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

STATE LEGAL COMPLIANCE REPORT

GREG OGDEN, CPA
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

November 1, 2006

Board of Public Safety Commissioners
Lone Peak Public Safety District

I have audited the accompanying financial statements of the governmental activities and each major fund, which collectively comprise the basic financial statements of Lone Peak Public Safety District, as of and for the year ended June 30, 2006 and have issued my report thereon dated November 1, 2006. The District received no major state assistance programs from the State of Utah.

The District received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the District's financial statements.)

Traffic Grant (Utah Department of Transportation)
Community Safety Grant (Utah Department of Public Safety)
Emergency Medical Services Grant (Utah Department of Public Safety)

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

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Issues
Asset Forfeitures

The management of the District is responsible for the District's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

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The results of my audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above which is described in the accompanying management letter. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, the Lone Peak Public Safety District, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 1, 2006

Board of Public Safety Commissioners
Lone Peak Public Safety District

I have audited the accompanying financial statements of the governmental activities and each major fund of Lone Peak Public Safety District as of and for the year ended June 30, 2006, which collectively comprise Lone Peak Public Safety District's basic financial statements, and have issued my report thereon dated November 1, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lone Peak Public Safety District's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lone Peak Public Safety District's financial statements are free of material misstatements, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, the District's management, others within the organization, and the Board of Public Safety Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

LONE PEAK
PUBLIC SAFETY DISTRICT

MANAGEMENT LETTER
JUNE 30, 2006

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

November 1, 2006

Board of Public Safety Commissioners
Lone Peak Public Safety District

The primary purpose of my audit of the basic financial statements of Lone Peak Public Safety District for the year ended June 30, 2006, was to enable me to form an opinion as to the financial position of the District at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the District's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2006. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the District's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Lone Peak Public Safety District. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.

Greg Ogden CPA

Greg Ogden,
Certified Public Accountant

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDINGS

FINDING - EXPENDITURES IN EXCESS OF BUDGET

For the year ended June 30, 2006, expenditures exceeded the budget on a department level in two departments in the general fund.

RECOMMENDATION

I recommend that the budget continue to be reviewed periodically during the year. If the budget requires amendment during the year, I recommend adoption of amended budget.

DISTRICT RESPONSE

Staff will be provided a financial statement by the fifteenth of each month to better monitor the budget expenditures.