

Park City Municipal Corporation, Utah



Compliance Reporting
Fiscal Year Ended June 30, 2020

PARK CITY MUNICIPAL CORPORATION, UTAH
COMPLIANCE REPORTING
June 30, 2020

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Tel: 801-269-1818
Fax: 801-266-3481
www.bdo.com

299 South Main Street, 10th Floor
Salt Lake City, UT 84111

Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Members of City Council
Park City Municipal Corporation

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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



Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated January 29, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of



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

BDO USA, LLP

Salt Lake City, Utah
March 12, 2021

Park City Municipal Corporation, Utah
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation				
Pass Through Utah Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program	20.509	218067	\$ -	\$ 3,601,798
Formula Grants for Rural Areas and Tribal Transit Program	20.509	208633	-	1,984,298
		Total CFDA 20.509	-	5,586,096
Federal Transit Cluster				
Bus and Bus Facilities Formula & Discretionary Programs	20.526	159777	-	88,436
		Total CFDA 20.526	-	88,436
		U.S. Department of Transportation Subtotal	-	5,674,532
Department of Homeland Security				
Pass Through Utah Department of Public Safety				
Emergency Management Performance Grant	97.042	EMPG-2020- DEM	-	8,250
Pass Through Summit County				
Emergency Management Performance Grant	97.042	17-SHSP-REG 2	-	10,784
Emergency Management Performance Grant	97.042	PARP-16HSGP	-	4,475
		Department of Homeland Security Subtotal	-	23,509
U.S. Department of the Treasury				
Pass Through State of Utah				
COVID-19 - Coronavirus Relief Fund	21.019		-	250,198
Total Expenditures of Federal Awards			\$ -	\$ 5,948,239

The accompanying notes are an integral part of this schedule.

Park City Municipal Corporation, Utah
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Park City Municipal Corporation, Utah (the City) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

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

Park City Municipal Corporation

Schedule of Findings and Questioned Costs June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?

No

- Significant deficiency(ies) identified?

Yes

Noncompliance material to financial statements noted?

None reported

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?

No

- Significant deficiency(ies) identified?

None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

Identification of major federal programs

CFDA Number

20.509

Name of Federal Program or Cluster

U.S Department of Transportation,
Formula Grants for Rural Areas and
Tribal Transit Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes

Park City Municipal Corporation

Schedule of Findings and Questioned Costs June 30, 2020

Section II - Financial Statement Findings

2020-001 Capital asset expenditure

Criteria: Expenditures should be recorded in the proper period.

Condition: Park City Municipal Corporation (the City) misclassified a capital outlay transaction in a prior period that requires an adjustment to beginning fund balance.

Cause: The City did not have a sufficient process in place to correctly identify and record deposit payments on certain land transactions.

Effect or Potential Effect: Opening fund balance and prepaid expense were materially misstated.

Recommendation: The City should implement a more robust review and approval procedure to ensure large, unusual transactions are recorded correctly.

Management's response: Management informed us that procedures have been established to ensure that transactions are recorded according to Finance Department policy.



Finance

CORRECTIVE ACTION PLAN (UNAUDITED)

IN RESPONSE TO FINDINGS NOTED IN THE FISCAL YEAR 2020 FINANCIAL STATEMENT AND COMPLIANCE AUDIT

March 1, 2021

	Finding	Corrective Plan	Responsible Person	Target Completion Date
2020-001	The City entered into the original transaction in 2015. The transaction was a payment made to a title company for a deposit on a pending real estate transaction (land purchase) that the City believed would close quickly. The deposit for the land purchase was for \$2,000,000, which was recorded in the capital project fund as a capital outlay expense rather than a deposit, because the City anticipated the transaction would close quickly. Due to unforeseen circumstances, the transaction did not close as expected. The City recorded the transaction in the prior period as a capital outlay expense in the capital project fund; however, the City should have recorded the amount as a deposit until the land purchase closed. The finding resulted in a restatement of the opening balances in the fund financial statements as shown in Note R of the Comprehensive Annual Financial Report.	The City has implemented policies and procedures to ensure that real estate transactions are not recorded as a capital outlay expense or work in progress asset until the transaction has closed and the land is titled to Park City Municipal. Any pending real estate transaction that involves escrow monies and crosses fiscal years will be properly recorded as a deposit.	Mindy Finlinson, Finance Manager	Completed



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Independent Auditor's Report on Compliance and Report on Internal Control over Compliance As Required by the *State Compliance Audit Guide*

Members of the City Council
Park City Municipal Corporation, Utah

Report on Compliance

We have audited Park City Municipal Corporation's (the City) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2020.

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

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Fraud Risk Assessment

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Compliance

In our opinion, Park City Municipal Corporation 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 City 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 City's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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BDO USA, LLP

Salt Lake City, Utah
March 12, 2021