

UNIFIED FIRE SERVICE AREA

ANNUAL FINANCIAL REPORT

December 31, 2020

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

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Independent Auditor's Report

Board of Directors
Unified Fire Service Area
Salt Lake City, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Unified Fire Service Area (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Unified Fire Service Area, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 24 through 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, other supplementary information as listed in the table of contents, statistical section and schedule of business license fees are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BDO USA, LLP

June 17, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

As management of Unified Fire Service Area (UFSA), we offer readers of UFSA's financial statements this narrative overview and analysis of the financial activities of UFSA for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the financial statements.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

UFSA's *government-wide net position* (the amount by which assets and deferred outflows of resources exceeded its liabilities) as of December 31, 2020 was \$26,781,752. This amount increased by over \$2.4 million (10%) over the previous year, primarily due to property taxes and fees that exceeded expectation as well as delays in capital projects and the efficient management of UFSA's budgeted funds. *Unrestricted net position*, the portion of net position which represents the amount UFSA can use to meet ongoing financial obligations, was \$15,149,301 at December 31, 2020. *Net position invested in capital assets, net of related debt*, was \$11,632,241 at December 31, 2020.

UFSA reported combined ending fund balance for governmental funds of \$13,286,054 as of December 31, 2020. Combined fund balance increased by \$1,062,026 (9%) from 2019 to 2020. The total spendable fund balance at December 31, 2020 was \$13,286,054, which represented 22% of total fund expenditures. Of the total spendable fund balance, \$12,622,453 was actually available for appropriation and spending (*unassigned fund balance*). Management believes the current unassigned fund balance to be a good indicator of UFSA's positive financial position.

For information on upcoming changes, see the "Economic Factors and Next Year's Budget" section beginning on page 10.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to UFSA's annual financial report. UFSA's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements: The *government-wide financial statements* are designed to provide readers with a broad overview of UFSA's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of UFSA's assets, deferred outflows of resources, and liabilities, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of UFSA is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement on an accrual basis. Cash flow from such transactions could impact future fiscal periods.

The government-wide financial statements identify functions of UFSA that are principally supported by taxes and intergovernmental revenues, as *governmental activities*. Revenues designed to recover all or a significant portion of the activity costs are identified as *business-type activities*. UFSA currently does not have any business-type activities.

The Local Building Authority of Unified Fire Service Area (LBA) is chartered under Utah law as a separate governmental entity. However, the government-wide financial statements include the financial statements of this entity since UFSA's Board is the appointed board for the LBA and it is financially accountable to UFSA.

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. UFSA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of UFSA's funds are governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* in the fund financial statements with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

UFSA maintains one major governmental fund, the General fund, and the LBA maintains two major governmental funds, the Capital Projects fund and the Debt Service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.

Notes to the Financial Statements: The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information: UFSA adopts an annual appropriated budget for its funds. A budgetary comparison statement (page 29) has been provided for the General Fund to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF UFSA AS A WHOLE

Current and other assets increased 9% (\$1.1 million) in 2020 primarily due to higher cash balances resulting from increased tax and fee collections in addition to more than \$800,000 increase in taxes receivable. UFSA's related party long-term note receivable decreased six percent in 2020 as a result of payments received from Unified Fire Authority. Capital assets, net of accumulated depreciation, decreased \$221,373 (1%) due to depreciation exceeding acquisitions in 2020.

Current liabilities increased 24% (\$77,287) over the previous year primarily due to construction management services and capital improvements in process at year end. Long-term liabilities decreased 5% as a result of bond principal payments of \$1,575,000 and amortization of bond premium during the year.

As noted earlier, net position may serve over time as a useful measurement to assist with understanding the financial position of UFSA. As of December 31, 2020, assets and deferred outflows of resources exceeded liabilities by \$26,781,752, an increase of \$2,447,098 (10%) from the previous year. The increase in net position during the year is primarily due to property taxes and fees that exceeded expectation due to new growth as well as delays in construction progress and the efficient management of UFSA's budgeted funds.

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

UFSA's net position invested in capital assets, net of related debt, totaled \$11,632,241, or 43% of total net position. Although UFSA's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position (\$210 for debt service) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (\$15,149,301) may be used to meet general, ongoing financial obligations without constraints established by debt covenants or other legal requirements.

Summary of Statement of Net Position As of December 31,

| | 2020 | 2019 | % |
|---|---------------|---------------|--------|
| | | | Change |
| Assets | | | |
| Current and other assets | \$ 13,441,432 | \$ 12,297,750 | 9% |
| Long-term note receivable | 1,721,357 | 1,838,021 | -6% |
| Capital assets, net of accumulated depreciation | 43,096,832 | 43,318,205 | -1% |
| Total Assets | 58,259,621 | 57,453,976 | 1% |
| Deferred Outflows of Resources | | | |
| Deferred charge on refunding | \$ 71,482 | \$ 76,521 | -7% |
| Total Assets and Deferred Outflows of Resources | \$ 58,331,103 | \$ 57,530,497 | 1% |
| Liabilities | | | |
| Current and other liabilities | 404,245 | 326,958 | 24% |
| Long-term liabilities | 31,145,106 | 32,868,886 | -5% |
| Total Liabilities | \$ 31,549,351 | \$ 33,195,844 | -5% |
| Net Position | | | |
| Invested in capital assets, net of related debt | 11,632,241 | 10,526,600 | 11% |
| Restricted | 210 | 759 | -72% |
| Unrestricted | 15,149,301 | 13,807,294 | 10% |
| Total Net Position | \$ 26,781,752 | \$ 24,334,653 | 10% |

Charges for services (impact fees) increased 24% in 2020 compared to the prior year due to several large developments and growth in multiple areas. Taxes and motor vehicle fees, which were \$55,944,234 for 2020, increased \$2,118,907 (4%) from 2019 due to new growth. General government expenses exceeded \$55.2 million in 2020 and increased 5% (over \$2.5 million) over 2019 primarily due to higher member fees paid to UFA and increased tax increment payments.

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

Summary of Statement of Activities For the Fiscal Year Ended December 31,

| | <u>2020</u> | <u>2019</u> | <u>% Change</u> |
|---------------------------------------|----------------------|----------------------|---------------------|
| Program revenues | | | |
| Charges for services | \$ 2,409,251 | \$ 1,942,830 | 24% |
| General revenues | | | |
| Property taxes and motor vehicle fees | 55,944,234 | 53,825,327 | 4% |
| Unrestricted investment earnings | 222,605 | 427,404 | -48% |
| Miscellaneous revenue | 12,415 | 115,002 | -89% |
| Total revenues | <u>58,588,505</u> | <u>56,305,856</u> | 4% |
| Program expenses | | | |
| General government | 55,281,015 | 52,736,710 | 5% |
| Interest on long-term debt | 860,390 | 885,431 | -3% |
| Total expenses | <u>56,141,405</u> | <u>53,622,141</u> | 5% |
| Change in net position | 2,447,100 | 2,683,715 | -9% |
| Net position - beginning | 24,334,652 | 21,650,939 | 12% |
| Net position - ending | <u>\$ 26,781,752</u> | <u>\$ 24,334,654</u> | 10% |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: UFSA's investment in capital assets, net of accumulated depreciation, was \$43,096,832 at December 31, 2020. Capital assets decreased \$221,374 (1%) from 2019 to 2020 as a result of net additions (\$950,128) offset by depreciation (\$1.17 million).

Capital Assets, Net of Depreciation As of December 31,

| | <u>2020</u> | <u>2019</u> | <u>% Change</u> |
|---------------------------|----------------------|----------------------|---------------------|
| Construction in progress | \$ 326,862 | \$ - | 100% |
| Land | 10,471,633 | 10,114,030 | 4% |
| Building and improvements | 31,483,445 | 32,333,937 | -3% |
| Land improvements | 523,489 | 561,493 | -7% |
| Machinery and equipment | 291,403 | 308,746 | -6% |
| | <u>\$ 43,096,832</u> | <u>\$ 43,318,206</u> | <u>-1%</u> |

Major capital asset additions during 2020 included a residence to use as a temporary station during reconstruction of #112 in Millcreek (\$561,827), HVAC equipment replacements, preconstruction work for five stations to be funded with bond proceeds in 2021, as well as various station remodels and capital maintenance projects. Additional information on UFSA's capital assets is available in the notes to the financial statements.

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

Long-term Debt: In June 2016, the Local Building Authority (LBA) of UFSA issued Lease Revenue & Refunding Bonds Series 2016A in to refund its 2008 Lease Revenue bonds and gain additional funding of \$6 million to complete Station #117 in Taylorsville. UFSA's bonds are rated Aa2 by Moody's. Principal owed for the 2016A bonds is \$30,600,000. Debt payments totaling \$2,583,500 (\$1,575,000 principal and \$1,008,500 interest) were made during the year on the 2016A series bonds. Unamortized premium on the 2016A bonds is \$2,120,108. Amortization of premium on the 2016A bonds was \$148,779. Additional information about UFSA's long-term liabilities is available in the notes to the financial statements.

FINANCIAL ANALYSIS OF UFSA'S FUNDS

Governmental Funds: As of December 31, 2020, the aggregate fund balance of UFSA's governmental funds was \$13,286,054. Unassigned fund balance, which was available for appropriation by the UFSA Board, was \$12,622,453. The remainder of the fund balance was not available for new spending because it had already been committed for spending (\$663,391 committed for capital outlay and \$210 restricted for debt service).

GENERAL FUND BUDGETARY HIGHLIGHTS

Significant differences between the original and final budget can be summarized as follows:

- \$204,101 increase to property taxes due to new growth
- \$499,798 decrease in operating costs predominantly due to a more modest increase in member fees from Unified Fire Authority than anticipated in UFSA's original 2020 budget
- \$580,000 increase in capital outlay for the purchase of a residence to serve as a temporary station during reconstruction of #112 in Millcreek (Olympus Hills)
- \$732,691 increase in transfers out to the Capital Projects fund for preconstruction costs to be reimbursed by 2021 bond issuance proceeds

Significant variations in actual results over final budget in the general fund can be summarized as follows:

- New growth within UFSA resulted in property tax and impact fee revenues higher than anticipated (combined overage exceeded \$1.2 million)
- Budgeted grant revenue (\$1.1 million) and related capital outlay expenditures (\$1.5 million) were not recognized due to related construction projects not beginning until 2021
- Budget exceeded actual operations and general & administrative expenditures by \$167,029 due to savings and delays in planning and preparation for station construction and improvement projects, offset by increased tax increment payments

For a detailed budgetary comparison schedule, see the Required Supplementary Information section, beginning on page 29.

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

At the end of 2020, Unified Fire Service Area's economic condition remained strong. A key indicator to UFSA of the strong economic condition in the service area are the continued high level of impact fee collections that show high growth of new residential and commercial developments in the service area.

The effects of the coronavirus pandemic caused economic turmoil in Salt Lake/Utah County, the State of Utah, and the United States throughout 2020. The pandemic is widespread and has caused major volatility with employment and with the stock market, leading to a general global economic slowdown, though both have recovered nicely since the beginning of the pandemic. The entities that make up UFSA have widely developed and diverse economic sectors that aided in a quick recovery. Though UFSA did not receive any of the federal stimulus directly that was designed to aid in the recovery, many residents, businesses, and municipalities within the service area did which has also helped in the recovery.

UFSA continues to focus on its need to maintain fire stations and has developed capital plans, including the purchase of land for new stations, replacement of aging stations, and remodeling of some existing stations. The 2021 budget includes issuance of \$34,905,000 in lease revenue bonds to build one new station in Eagle Mountain and to rebuild four stations (Magna, Millcreek, Midvale, and Eagle Mountain). UFSA received a bond rating from Moody's Investors Service for the 2021 lease revenue bonds of Aa2 with an affirmed rating of Aa1. The bonds were competitively bid in March 2021 and were sold with a true interest cost of 1.82%. Architectural design has begun on each of the 5 stations.

UFSA was also awarded a \$2.06M FEMA Pre-disaster mitigation grant to help retrofit stations identified for needed upgrades in a recently completed seismic evaluation. The grant will also provide an emergency generator at 3 UFA stations. The March 2020 earthquake in Magna, as well as the ensuing aftershocks, reinforced the importance of the seismic work we have completed and UFSA will continue to evaluate the safety of the stations within the service area.

Herriman City and Riverton City withdrew from UFSA as of January 2021. As part of the withdrawal agreement with each entity, UFSA will distribute each entities' share of UFSA's minimum reserve fund balance (\$1,076,293 for Riverton and \$789,576 for Herriman). In turn, both cities will pay their portion of the 2016 outstanding bond debt (\$4,152,344 from Riverton and \$6,318,778 from Herriman). Payments made to and from UFSA will be made annually over the remaining life of the 2016 bonds through 2035. The town of Alta joined UFSA as of January 2021 which will help streamline the fire and emergency medical services throughout Little Cottonwood Canyon.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of UFSA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, 3380 South 900 West, Salt Lake City, UT, 84119.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS
GOVERNMENTAL FUND FINANCIAL STATEMENTS
NOTES TO FINANCIAL STATEMENTS

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2020

ASSETS

| | |
|---|-------------------|
| Cash and cash equivalents | \$ 11,522,997 |
| Cash and cash equivalents held by fiscal agent | 210 |
| Receivables | 1,918,225 |
| Long term related party note receivable | 1,721,357 |
| Capital assets, net of accumulated depreciation | 43,096,832 |
| Total Assets | <u>58,259,621</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---|----------------------|
| Loss on refunding | <u>71,482</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 58,331,103</u> |

LIABILITIES

| | |
|-----------------------------|-------------------|
| Accounts payable | \$ 155,378 |
| Accrued liabilities | 248,867 |
| Lease revenue bonds payable | |
| Due within one year | 1,600,000 |
| Due in more than one year | 29,545,106 |
| Total Liabilities | <u>31,549,351</u> |

NET POSITION

| | |
|----------------------------------|----------------------|
| Net Investment in Capital Assets | 11,632,241 |
| Restricted for debt service | 210 |
| Unrestricted | 15,149,301 |
| Total Net Position | <u>\$ 26,781,752</u> |

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

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES Year ended December 31, 2020

| Function/Programs | Expenses | PROGRAM REVENUES Charges for Services | NET EXPENSE AND NET POSITION |
|----------------------------------|----------------------|--|------------------------------------|
| GOVERNMENTAL ACTIVITIES: | | | |
| General government | \$ 55,281,015 | \$ 2,409,251 | \$ (52,871,764) |
| Interest on long-term debt | <u>860,390</u> | <u>-</u> | <u>(860,390)</u> |
| Total | <u>\$ 56,141,405</u> | <u>\$ 2,409,251</u> | <u>(53,732,154)</u> |
| GENERAL REVENUES | | | |
| Real property taxes | | | 53,120,707 |
| Motor vehicle fees | | | 2,823,527 |
| Rental income | | | 11,394 |
| Unrestricted investment earnings | | | 222,605 |
| Miscellaneous income | | | <u>1,021</u> |
| Total general revenues | | | <u>56,179,254</u> |
| Change in net position | | | 2,447,100 |
| Net position - beginning | | | <u>24,334,652</u> |
| Net position - ending | | | <u>\$ 26,781,752</u> |

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

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2020

| | MAJOR FUNDS | | | Total Governmental Funds |
|--|-----------------|--------------------------------|-------------------------|--------------------------------|
| | General Fund | Capital Improvement Fund | Debt Service Fund | |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 10,831,031 | \$ 691,966 | \$ - | \$ 11,522,997 |
| Cash and cash equivalents held by fiscal agent | - | - | 210 | 210 |
| Receivables: | | | | |
| Taxes receivable | 1,902,551 | - | - | 1,902,551 |
| Due from related parties | 15,674 | - | - | 15,674 |
| Net receivables | 1,918,225 | - | - | 1,918,225 |
| Total Assets | \$ 12,749,256 | \$ 691,966 | \$ 210 | \$ 13,441,432 |
| Total Assets and Deferred Outflows | \$ 12,749,256 | \$ 691,966 | \$ 210 | \$ 13,441,432 |
| LIABILITIES AND FUND BALANCES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 126,803 | \$ 28,575 | \$ - | \$ 155,378 |
| Total Liabilities | 126,803 | 28,575 | - | 155,378 |
| FUND BALANCES | | | | |
| Spendable: | | | | |
| Restricted for Debt Service | - | - | 210 | 210 |
| Committed for Capital Outlay | | 663,391 | | 663,391 |
| Unassigned | 12,622,453 | - | - | 12,622,453 |
| Total Fund Balances | 12,622,453 | 663,391 | 210 | 13,286,054 |
| Total Liabilities and Fund Balances | \$ 12,749,256 | \$ 691,966 | \$ 210 | \$ 13,441,432 |

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

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended December 31, 2020

| | MAJOR FUNDS | | | Total Governmental Funds |
|--|-----------------|--------------------------------|-------------------------|--------------------------------|
| | General Fund | Capital Improvement Fund | Debt Service Fund | |
| REVENUES | | | | |
| Real property taxes | \$ 53,120,707 | \$ - | \$ - | \$ 53,120,707 |
| Motor vehicle fees | 2,823,527 | - | - | 2,823,527 |
| Impact fees | 2,409,251 | - | - | 2,409,251 |
| Lease/rent revenue | 11,394 | - | 2,580,673 | 2,592,067 |
| Investment earnings | 220,576 | - | 2,029 | 222,605 |
| Other income | 1,021 | - | - | 1,021 |
| Total Revenues | 58,586,476 | - | 2,582,702 | 61,169,178 |
| EXPENDITURES | | | | |
| Current | | | | |
| Operations | 55,831,486 | - | - | 55,831,486 |
| General and administrative | 562,131 | - | - | 562,131 |
| Capital outlay | 880,828 | 69,300 | - | 950,128 |
| Debt service | | | | |
| Principal | - | - | 1,575,000 | 1,575,000 |
| Interest | 279,069 | - | 1,008,500 | 1,287,569 |
| Debt issuance cost and fees | 17,500 | - | - | 17,500 |
| Total Expenditures | 57,571,014 | 69,300 | 2,583,500 | 60,223,814 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,015,462 | (69,300) | (798) | 945,364 |
| OTHER FINANCING SOURCES | | | | |
| Principal payments received from related party | 116,664 | - | - | 116,664 |
| Transfers in | - | 732,691 | 759 | 733,450 |
| Transfers out | (732,691) | (759) | - | (733,450) |
| Total other financing sources | (616,027) | 731,932 | 759 | 116,664 |
| Net change in fund balances | 399,435 | 662,632 | (39) | 1,062,028 |
| Fund balances at beginning of year | 12,223,019 | 759 | 249 | 12,224,027 |
| Fund balances at end of year | \$ 12,622,454 | \$ 663,391 | \$ 210 | \$ 13,286,055 |

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

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2020

| | | |
|--|----|-----------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 1,062,028 |
|--|----|-----------|

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts were as follows:

| | | | |
|----------------------|----|-------------|-----------|
| Depreciation expense | \$ | (1,171,502) | |
| Capital outlay | | 950,128 | (221,374) |

| | | |
|--|--|-----------|
| Principal payments received on long-term related party note receivable | | (116,664) |
|--|--|-----------|

The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|-----------------------------|--|-----------|
| Repayment of long-term debt | | 1,575,000 |
|-----------------------------|--|-----------|

Some expenses reported in the Statement of Activities do not require use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of the

| | | | |
|--|----|--------|---------|
| Amortization of refunding bond premium | \$ | 80,589 | |
| Amortization of loss on bond refunding | | 63,152 | |
| Accrued interest on long-term debt | | 4,369 | 148,110 |

| | | |
|---|----|-----------|
| Change in Net Position of Governmental Activities | \$ | 2,447,100 |
|---|----|-----------|

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

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Salt Lake Valley Fire Service Area (SLVFSA) was created effective in 2004 to manage and provide fire protection services. The fire service area was created to provide fire protection and emergency medical services to the unincorporated areas of Salt Lake County. Effective January 1, 2008, SLVFSA assessed and recorded its own property taxes apart from Salt Lake County. Also beginning January 1, 2008, Unified Fire Authority (UFA) assumed management and administrative support for SLVFSA. Prior to these two changes, Salt Lake County reported SLVFSA as a blended component unit of its primary government. Midvale City and Eagle Mountain City joined SLVFSA to provide fire protection and emergency medical services to its citizens in July 2011 and January 2013, respectively. In March 2013, the Board approved changing SLVFSA's entity name to Unified Fire Service Area (UFSA). The City of Taylorsville joined UFSA in January 1, 2014. UFSA is a separate legal entity, with a fourteen member board of elected officials, three of which represent unincorporated areas of Salt Lake County and eleven of which represent the cities of Eagle Mountain, Herriman, Midvale, Millcreek, Riverton, and Taylorsville, as well as metro townships of Copperton, Emigration Canyon, Kearns, Magna, and White City. The Town of Brighton incorporated and joined UFSA on January 1, 2020.

Blended Component Unit

The Local Building Authority of the Salt Lake Valley Fire Service Area (LBA) was created in 2008. In March 2013, the Board approved changing the LBA's entity name to the Local Building Authority of the Unified Fire Service Area. The LBA is governed by the Board of UFSA. Although it is legally separate from UFSA, it is reported as if it were part of the primary government. The LBA was created solely for the benefit of UFSA with a purpose to acquire, improve, construct, and finance capital facilities within the fire service area. The LBA currently has one capital projects fund and one debt service fund.

Government-Wide and Fund Financial Statements

Government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of UFSA. The effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported as general revenues.

Fund financial statements present each major individual fund as a separate column. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. UFSA segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Property taxes are recognized as revenues in the year for which they are levied.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Governmental funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows of resources, and liabilities is reported as fund balance. UFSA has presented the following major governmental funds:

- General Fund – the general fund is the main operating fund of UFSA, used for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.
- Capital Improvements Fund – a capital projects fund used to account for funds received and expended for the acquisition and construction of capital equipment and facilities throughout UFSA's jurisdiction.
- Debt Service Fund – the LBA's debt service fund is used to account for the accumulation of resources for and the payment of long-term debt principal, interest, and related costs.

Cash Equivalents

Cash equivalents are highly liquid investments with original maturities of three months or less, when purchased.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by UFSA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. If purchased, such assets are recorded at historical cost. Assets are recorded at acquisition value at the date of gift, if donated. Assets transferred from other governmental entities are recorded at the net book value removed from the conveying government's books.

Major additions are capitalized while maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense. No depreciation is recognized on construction in progress until the asset is placed in service. UFSA does not possess any infrastructure.

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

| | |
|---------------------------|---------------|
| Building and improvements | 5 – 40 years |
| Land improvements | 15 – 31 years |
| Machinery and equipment | 5 – 30 years |

Restricted Assets

Certain proceeds of UFSA's 2016 lease revenue bonds, as well as certain resources set aside for their repayment, are maintained in separate bank accounts and are classified as restricted assets because their use is limited by bond covenants. The "reserve fund" accounts, with a balance of \$210 at December 31, 2020, are used to report resources set aside for the payment of principal and interest on the lease revenue bonds.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which UFSA receives value without directly giving value in return, include grants and donations. On the accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include: timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which UFSA must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to UFSA on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balances

The difference between assets and deferred outflows of resources and liabilities is reported as net position on the government-wide financial statements and fund balance on the governmental fund statements. UFSA's net position is classified as follows:

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

In the governmental fund statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the UFSA Board, such as an appropriation. Assigned fund balance is constrained by the Board's intent to be used for specific purposes, by directive of the Board. When an expenditure is incurred for purposes which restricted, committed, assigned and unassigned resources are available, UFSA generally uses restricted resources first, followed by committed and assigned resources before unassigned resources are used.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, UFSA generally uses restricted resources first, then unrestricted resources.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

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

Risk Management

UFSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which it carries commercial insurance. There were no significant reductions in coverage from prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents, and investments consisted of the following at December 31, 2020:

| | |
|---|----------------------|
| Cash and cash equivalents: | |
| Cash - net of outstanding checks | \$ 142,178 |
| Public Treasurer's Investment Fund (PTIF) | 11,380,819 |
| Total unrestricted cash and cash equivalents | <u>11,522,997</u> |
| Cash and cash equivalents held by fiscal agent (invested in PTIF) | 210 |
| Total cash, cash equivalents, and investments | <u>\$ 11,523,207</u> |

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 Utah Money Management Act that relate to the deposit and investment of public funds.

UFSA follows the requirements of the Utah Money Management Act in handling its depository and investment transactions. The Act requires depositing of UFSA's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and 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.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the local government's deposits may not be recovered. UFSA's deposits are insured up to \$250,000 per institution by the Federal Depository Insurance Corporation (FDIC). Deposits above \$250,000 are exposed to credit risk. As of December 31, 2020, UFSA's depository bank balance was \$156,782, of which \$0 is uninsured. Utah State Law does not require deposits to be insured or collateralized. UFSA does not have a formal deposit policy for custodial credit risk. To date, we have not experienced uninsured losses, and we believe the risk of future loss is negligible.

The Money Management Act defines the types of securities authorized as appropriate investments for UFSA'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.

Investments

These statutes authorize UFSA 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, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; 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 the Money Management Act; and the Utah State Public Treasurers' Investment Fund (PTIF).

The Utah State Treasurer's Office operates the PTIF and is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. 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 participant's balance is their investment deposited in the PTIF plus their share of income, gains, and losses net of administration fees which is allocated to each participant on the ratio of each participant's share to the total funds in the PTIF. The participant's monthly investment amount is based upon their average daily balance.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

At June 30 and December 31 each year, the fair value of the investments is determined to enable participants (public entities having those year ends) to adjust their investments in the pool. As of December 31, 2020, UFSA had \$11,380,819 invested in PTIF. Additionally, \$210 held by a fiscal agent was invested in PTIF at December 31, 2020. The entire balance had a maturity of less than one year. The PTIF pool has not been rated. The PTIF is reported as a fiduciary fund by the State of Utah in its Comprehensive Annual Financial Report. A copy of the report may be obtained online at <https://treasurer.utah.gov/investor-information/comprehensive-annual-financial-report-cafr>.

Fair Value of Investments

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

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

At December 31, 2020, UFSA had the following cash and investments:

| | Carrying Value | Fair Value Factor | Fair Value | Credit Rating | Weighted Average Maturity |
|--|----------------------|----------------------|----------------------|------------------|---------------------------------|
| Cash on deposit: | | | | | |
| Cash on deposit | \$ 142,178 | 1.000000 | \$ 142,178 | N/A | N/A |
| Utah State Treasurer's investment pool accounts | <u>11,381,029</u> | 1.003836 | <u>11,424,686</u> | N/A | N/A |
| Total cash on deposit | <u>\$ 11,523,207</u> | | <u>\$ 11,566,864</u> | | |

The fair value measurement of UFSA's PTIF investments is considered Level 2.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. UFSA 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 may not exceed the period of availability of the funds to be invested. UFSA's investment policy limits the term of investments to a maximum maturity that shall not exceed five years in order to manage its exposure to fair value losses arising from increasing interest rates. The investment policy also specifies that UFSA's investment portfolio will remain sufficiently liquid to enable UFSA to meet all operating requirements which might be reasonably anticipated.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk for investments is the risk that, in the event of a failure of the counterparty, UFSA will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. UFSA's policy for limiting the credit risk of investments is to comply with the Money Management Act, as previously discussed. All of UFSA's investments at December 31, 2020, were with the PTIF and therefore are unrated and are not categorized as to custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. UFSA's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council, as applicable. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

NOTE 3 -PROPERTY TAXES

Property taxes attach an enforceable lien on property as of January 1 in the year in which due and are assessed in July through billing to the property owner. All unpaid taxes are due and become delinquent on November 30. Property tax revenues are recognized by UFSA when they are collected. Property taxes are billed and collected by Salt Lake County and Utah County on behalf of UFSA and remitted monthly. Property taxes received by UFSA within 60 days after year end are recorded as revenue as of year-end. The 2020 Certified Tax Rate for UFSA is .001717 (.001715 for general operations and .000002 for discharge of judgement).

In addition to various taxes UFSA levies for its own purposes, it levies taxes for other governments; those taxes are forwarded to those other governments as the taxes are collected. Taxes levied in 2020 for other governments are recorded as revenue with an equivalent amount of expenditure totaling \$2,571,250. Incremental taxes forwarded during 2020 to various redevelopment agencies within the service area for the purposes of financing urban renewal, economic development, and community development projects by earmarking property tax revenue from increases in assessed values within the project areas are as follows:

| Project | Taxes Abated During Year | |
|--|--------------------------|--------------|
| | Percentage | Amount |
| Herriman Anthem Town Center | 75% | \$ 114,900 |
| Herriman Business Center Community Development | 75% | 238,615 |
| Herriman Towne Center Community Development | 80% | 483,918 |
| Magna Arbor Park | 90% | 44,095 |
| Magna Main Street | 80% | 81,191 |
| Midvale Bingham Junction | 80% | 1,007,443 |
| Midvale Jordan Bluffs | 80% | 108,077 |
| Millcreek City Center | 80% | 5,532 |
| West Millcreek | 80% | 145,233 |
| Taylorsville 5400 S Bangarter Highway | 75% | 33,526 |
| Taylorsville 6200 S Redwood Road | 75% | 44,778 |
| Taylorsville Bennion Point | 75% | 122,214 |
| Utah Inland Port Authority | 75% | 114,014 |
| Other | | 27,714 |
| | | \$ 2,571,250 |

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2020 are as follows:

| | January 1, 2020 | Additions/ Transfers In | Disposals/ Transfers Out | December 31, 2020 |
|---|--------------------|-------------------------------|--------------------------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ - | \$ 326,862 | | \$ 326,862 |
| Land | 10,114,030 | 357,603 | | 10,471,633 |
| Total capital assets not being depreciated | 10,114,030 | 684,465 | - | 10,798,495 |
| Capital assets being depreciated: | | | | |
| Building and improvements | 41,414,596 | 231,860 | | 41,646,456 |
| Land improvements | 1,024,467 | 22,368 | | 1,046,835 |
| Machinery and equipment | 503,360 | 11,435 | | 514,795 |
| Total capital assets being depreciated | 42,942,423 | 265,663 | - | 43,208,086 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | (9,080,659) | (1,082,352) | | (10,163,011) |
| Land improvements | (462,974) | (60,372) | | (523,346) |
| Machinery and equipment | (194,614) | (28,778) | | (223,392) |
| Total accumulated depreciation | (9,738,247) | (1,171,502) | - | (10,909,749) |
| Total capital assets being depreciated, net | 33,204,176 | (905,839) | - | 32,298,337 |
| Total capital assets, net | \$ 43,318,206 | \$ (221,374) | \$ - | \$ 43,096,832 |

Depreciation charged for governmental activities for the year ended December 31, 2020, was \$1,171,502.

NOTE 5 - SHORT-TERM DEBT

In March 2020, UFSA issued Tax and Revenue Anticipation Notes, Series 2020 (TRAN), in the amount of \$25 million at a 1.42% interest rate for a short-term basis until tax revenue was received. Issuance costs related to the TRAN were \$17,500. Principal and interest totaling \$25,279,069 were paid on December 18, 2020.

NOTE 6 - LONG-TERM DEBT

| | Beginning | Increases | (Decreases) | Ending |
|--|---------------|-----------|----------------|---------------|
| Local Building Authority Lease Revenue and Refunding Bonds, series 2016 (issued June 2016) | \$ 30,600,000 | \$ - | \$ (1,575,000) | \$ 29,025,000 |
| Local Building Authority Lease Revenue and Refunding Bonds, series 2016 premium (issued June 2016) | 2,268,885 | - | (148,779) | 2,120,106 |

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 6 -LONG-TERM DEBT

Local Building Authority Lease Revenue and Refunding bonds, series 2016A, were issued on June 14, 2016, in the amount of \$32,375,000 to refund the 2008 LBA Lease Revenue Bonds originally issued in the aggregate principal amount of \$32,950,000. The new bonds bear interest from 2.00% to 4.00% and are due in annual installments ranging from \$1,282,500 to \$2,595,500 through April 1, 2035. These bonds are not considered general obligation bonds of UFSA but are special obligations payable

from the lease revenues derived from the assets acquired or constructed with bond proceeds. The new issue provided \$6,000,000 in additional funding to build a fire station in Taylorsville City. The bond refunding reduces debt service payments by \$7,032,548 through 2033.

The following is a schedule of future maturities on lease revenue and refunding bonds in the LBA as of December 31, 2020:

| Maturity Date | Total | Principal | Interest | Interest Rates |
|---------------|---------------|---------------|--------------|----------------|
| 2021 | 2,576,750 | 1,600,000 | 976,750 | 2.00% |
| 2022 | 2,577,750 | 1,650,000 | 927,750 | 4.00% |
| 2023 | 2,585,250 | 1,725,000 | 860,250 | 4.00% |
| 2024 | 2,589,750 | 1,800,000 | 789,750 | 4.00% |
| 2025 | 2,591,250 | 1,875,000 | 716,250 | 4.00% |
| 2026 | 2,589,750 | 1,950,000 | 639,750 | 4.00% |
| 2027 | 2,595,375 | 2,025,000 | 570,375 | 3.00% |
| 2028 | 2,583,875 | 2,075,000 | 508,875 | 3.00% |
| 2029 | 2,595,500 | 2,150,000 | 445,500 | 3.00% |
| 2030 | 2,580,250 | 2,200,000 | 380,250 | 3.00% |
| 2031 | 2,588,125 | 2,275,000 | 313,125 | 3.00% |
| 2032 | 2,582,000 | 2,350,000 | 232,000 | 4.00% |
| 2033 | 2,586,000 | 2,450,000 | 136,000 | 4.00% |
| 2034 | 1,490,625 | 1,425,000 | 65,625 | 3.00% |
| 2035 | 1,497,125 | 1,475,000 | 22,125 | 3.00% |
| | \$ 36,609,375 | \$ 29,025,000 | \$ 7,584,375 | |

NOTE 7 -INTERFUND ACTIVITY

During the course of operations, UFSA has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated.

Debt service on the LBA Lease Revenue Bonds, series 2016, is payable from lease payments by UFSA to the LBA for the use of fire stations. During 2020, lease payments of \$2,580,673 were paid by the General fund to the LBA's Debt Service fund. Future lease payments will be equal to the required debt service payments. Assets recorded under this operating lease are land, buildings, and equipment having original cost of \$30,130,314 with \$5,179,921 of accumulated depreciation.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 8 -RELATED PARTY TRANSACTIONS

UFSA has been a member of UFA since its inception in July 2004. Beginning in January 2008, UFA assumed management of UFSA from Salt Lake County. UFSA paid member fees of \$49,708,495 to UFA during 2020. UFA provides fire protection service and staffing, equipment, and station maintenance for the fees it receives from UFSA. UFSA paid management fees to UFA for its services totaling \$339,653 for the year ended December 31, 2020. Accounts receivable (\$15,674) and accounts payable (\$92) existing December 31, 2020.

In February 2012, UFSA entered into an interlocal agreement with UFA to finance the purchase of a warehouse in West Jordan, Utah. In March 2012, UFSA loaned \$2.5 million to UFA for purchase of the building. The agreement requires UFA to pay 228 monthly payments of \$15,672 beginning 30 days following the termination of its current warehouse lease. Prior to the commencement of payments, UFA paid interest monthly at the Utah PTIF rate. Upon commencement of payments, the agreement bears 4% interest. UFA paid \$116,664 in principal and \$71,397 in interest to UFSA in 2020. The following is a schedule by years of future minimum payments required under the agreement as of December 31, 2020:

| | | |
|-----------|----|------------------|
| 2021 | \$ | 121,417 |
| 2022 | | 126,363 |
| 2023 | | 131,512 |
| 2024 | | 136,870 |
| 2025 | | 142,446 |
| 2026-2030 | | 804,158 |
| 2031-2032 | | 258,592 |
| | \$ | <u>1,721,358</u> |

NOTE 9 -SUBSEQUENT EVENTS

Management has made an evaluation for subsequent events for occurrence of events that require adjustments to, or disclosure in, the financial statements through the date the financial statements were available to be issued, and none were identified except as disclosed below.

The Town of Alta voted to join UFSA effective January 2021. Herriman City and Riverton City terminated participation in Unified Fire Service Area as of January 1, 2021. As part of the withdrawal agreements with each entity, UFSA will distribute each entities' share of UFSA minimum reserve fund balance (\$1,076,293 for Riverton and \$789,576 for Herriman). In turn, both cities will pay their portion of the 2016 outstanding bond debt (\$4,152,344 from Riverton and \$6,318,778 from Herriman). Payments made to and from UFSA will be made annually over the remaining life of the 2016A Bonds through 2035.

UFSA issued Lease Revenue Bonds of \$34,905,000 in March 2021 for the construction and purchase of related land for five fire stations located in Eagle Mountain, Magna, Midvale, and Millcreek. The bonds bear interest from 2.00% to 5.00% and are due in annual installments ranging from \$1,200,750 to \$2,398,625 through April 2041.

UFSA issued a Tax and Revenue Anticipation Note of \$19.5 million in April 2021.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 10 - COMMITMENTS AND CONTINGENCIES

As of December 31, 2020, UFSA did not have any pending litigation or potential nondisclosed liabilities.

NOTE 11 - RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on UFSA’s financial condition, liquidity, and future results of operations. UFSA does not expect to realize a material effect on its operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, UFSA is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

On March 27, 2020, the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” was signed into law. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. We continue to examine the impact that the CARES Act may have on our business. Currently, we are unable to determine the impact that the CARES Act will have on our financial condition, results of operations, or liquidity.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended December 31, 2020

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|----------------------|----------------------|----------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Real property taxes | \$ 52,304,787 | \$ 52,508,888 | \$ 53,120,707 | \$ 611,819 |
| Motor vehicle fees | 2,900,000 | 2,900,000 | 2,823,527 | (76,473) |
| Impact fees | 1,800,000 | 1,800,000 | 2,409,251 | 609,251 |
| Grants and donations | 1,128,288 | 1,128,288 | - | (1,128,288) |
| Rent income | - | - | 11,394 | 11,394 |
| Interest income | 360,000 | 360,000 | 220,576 | (139,424) |
| Other income | - | - | 1,021 | 1,021 |
| Total Revenues | <u>58,493,075</u> | <u>58,697,176</u> | <u>58,586,476</u> | <u>(110,700)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Operations | 56,380,441 | 55,880,643 | 55,831,486 | 49,157 |
| General and administrative | 680,003 | 680,003 | 562,131 | 117,872 |
| Capital outlay | 2,029,460 | 2,547,237 | 880,828 | 1,666,409 |
| Debt service | | | | |
| Interest | 500,000 | 500,000 | 279,069 | 220,931 |
| Debt issuance costs and fees | 35,000 | 35,000 | 17,500 | 17,500 |
| Total Expenditures | <u>59,624,904</u> | <u>59,642,883</u> | <u>57,571,014</u> | <u>2,071,869</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,131,829) | (945,707) | 1,015,462 | 1,961,169 |
| OTHER FINANCING SOURCES | | | | |
| Loan payments from related party | 116,664 | 116,664 | 116,664 | - |
| Transfers out | - | (732,691) | (732,691) | - |
| Total other financing sources | <u>116,664</u> | <u>(616,027)</u> | <u>(616,027)</u> | <u>-</u> |
| Net change in fund balance | (1,015,165) | (1,561,734) | 399,435 | <u>\$ 1,961,169</u> |
| Fund balance at beginning of year | <u>12,223,019</u> | <u>12,223,019</u> | <u>12,223,019</u> | |
| Fund balance at end of year | <u>\$ 11,207,854</u> | <u>\$ 10,661,285</u> | <u>\$ 12,622,454</u> | |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2020

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Unified Fire Service Area (UFSA) adopts an “appropriated budget” for all of its funds. UFSA is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- By the first regularly scheduled Board meeting in November, UFSA prepares a tentative budget for the next succeeding fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
- The UFSA budget for any calendar year must be adopted by Board Resolution, following a public hearing, before the end of December of the prior calendar year, subject to later amendment as provided by law. The budget includes anticipated property tax revenue to be received during the budget year, which serves as the basis for determining the property tax levy to be set by the Board of Trustees, subject to applicable statutory limitations. Subject to possible “truth in taxation” statutory procedures that are required if the Board determines to exceed the certified tax rate, the Board generally will establish the property tax levy by June 22 of the current tax year.
- Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, as reflected in the official minutes of the Board, and are not made after fiscal year end.
- Each budget is prepared and controlled by the budget officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Trustees.
- The budgets for all funds must be filed with the Utah State Auditor within 30 days of adoption.

Budgets are prepared on a modified accrual basis of accounting according to GAAP for governmental funds.

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
SUPPLEMENTAL REPORTS

UNIFIED FIRE SERVICE AREA

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

Year ended December 31, 2020

LOCAL BUILDING AUTHORITY – DEBT SERVICE FUND

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Rent income | \$2,583,500 | \$2,583,500 | \$2,580,673 | \$ (2,827) |
| Interest income | 3,000 | 3,000 | 2,029 | (971) |
| Total Revenues | <u>2,586,500</u> | <u>2,586,500</u> | <u>2,582,702</u> | <u>(3,798)</u> |
| EXPENDITURES | | | | |
| Debt service | | | | |
| Principal | 1,575,000 | 1,575,000 | 1,575,000 | - |
| Interest | 1,008,500 | 1,008,500 | 1,008,500 | - |
| Total Expenditures | <u>2,583,500</u> | <u>2,583,500</u> | <u>2,583,500</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>3,000</u> | <u>3,000</u> | <u>(798)</u> | <u>(3,798)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 760 | 759 | (1) |
| Total other financing sources (uses) | <u>-</u> | <u>760</u> | <u>759</u> | <u>(1)</u> |
| Net change in fund balance | <u>3,000</u> | <u>3,760</u> | <u>(39)</u> | <u>\$ (3,799)</u> |
| Fund balance at beginning of year | <u>249</u> | <u>249</u> | <u>249</u> | |
| Fund balance at end of year | <u>\$ 3,249</u> | <u>\$ 4,009</u> | <u>\$ 210</u> | |



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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 Directors
Unified Fire Service Area
Salt Lake City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Unified Fire Service Area (the “District”), which comprise the statement of net position as of December 31, 2020, and the related statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing 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 the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the the District’s internal control.

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

BDO USA, LLP

June 17, 2021



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

Board of Directors
Unified Fire Service Area
Salt Lake City, Utah

Report on Compliance

We have audited the Unified Fire Service Area's (the "District") compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended December 31, 2020.

State compliance requirements were tested for the year ended December 31, 2020 in the following areas:

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

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

Opinion on Compliance

In our opinion, the Unified Fire Service Area complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2020.



Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the State Compliance Audit Guide and which is described in the accompanying schedule of findings and recommendations as items 2020-001. Our opinion on compliance is not modified with respect to these matters.

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

As part of the compliance audit we assessed the District's risk of fraud using the criteria set forth by the Office of the State Auditor. Using this criteria, the risk of fraud within the District is low. The assessed risk is based on best practices, policies and monitoring procedures implemented during the audit period.

Report on Internal Control over Compliance

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

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

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



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

BDO USA, LLP

June 17, 2021

Schedule of Findings and Recommendations

Section I - Findings relating to the audit of compliance with the applicable state compliance requirements described in the State Compliance Audit Guide, issued by the Office of the State Auditor, for the year ended December 31, 2020.

2020-001

| | |
|----------------------------------|---|
| Criteria or specific requirement | Open and public meetings compliance - UCA 52-4-104. The presiding officer of the governing body should ensure that members of the governing body were provided with annual training on the requirements of open and public meetings. |
| Condition and context | It was noted that the members of the governing body of the District were not provided annual training by UFSA on the requirements of open and public meetings. |
| Effect | The District is not in compliance with the open and public meetings act. |
| Cause | The training was not provided by UFSA during the year ended December 31, 2020. |
| Recommendation | The presiding officer of the governing body should schedule annual training during the first board of directors meeting each year. |
| Management's response | Management recognizes the Open and Public Meetings training was not provided directly by the UFSA in the year 2020, as an oversight. Utah Code Ann. § 52-4-104 requires the UFSA Board Chair to ensure that the members of the public body are provided with annual training. The advice received by the General Counsel of the Utah Association of Special Districts has been that this requirement may be satisfied either by directly providing the training, or by ensuring that each board member that is an elected official of a separate public agency has received the annual training through his or her municipality or county, or through attendance at the Utah Association of Special Districts annual convention training. The composition of the UFSA board is such that each board member is also an elected official of a municipality o Salt Lake County. It is likely that each board member received training through their respective entities in 2020. That said, it is our preference and historic practice to provide the annual training ourselves. To ensure that the UFSA board does not become delinquent in the future in regards to providing the Open and Public Meetings training, we will move towards providing the training at the first meeting of the year as a matter of course, as suggested. |