UNIFIED FIRE SERVICE AREA

ANNUAL FINANCIAL REPORT

December 31, 2016

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For the Year Ended December 31, 2016

Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Unified Fire Service Area
Salt Lake City, Utah

We have audited the accompanying financial statements of the governmental activities and each major fund of Unified Fire Service Area (UFSA) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise UFSA's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of UFSA, as of December 31, 2016 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, and notes to required supplementary information as noted on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise UFSA's basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements of UFSA. 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 budgetary comparison schedules fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued other reports dated June 13, 2017 located on pages 27 and 29 on our consideration of UFSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts, grant agreements, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Keddington & Christensen, LLC

June 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

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, 2016. 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, 2016 was $20,897,015. This amount decreased by nearly $1.6 million (7%) over the previous year, primarily due to increased member fees paid to UFA partially offset by property taxes and impact fees higher than anticipated. The increase in expenses was also partially offset by efficient management of UFSA's budgeted funds. Member fee increases continue to grow at a larger rate than tax revenues. *Unrestricted net position,* the portion of net position which represents the amount UFSA can use to meet ongoing financial obligations, was $9,283,392 at December 31, 2016. *Net position invested in capital assets, net of related debt* was $11,300,828 at December 31, 2016.

UFSA reported combined ending fund balance for governmental funds of $8,325,224 as of December 31, 2016. Combined fund balance decreased by $79,990 (1%) from 2015 to 2016. The total spendable fund balance at December 31, 2016 was $7,669,530, which represented 15% of total fund expenditures. All of the total spendable fund balance 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 8.

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.

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 23) 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 over one percent from 2015 primarily due to proceeds from long-term debt held in escrow at year end offset by the usage of cash for capital outlay and debt service payments. UFSA's related party long-term note receivable decreased four percent in 2016 as a result of payments received from Unified Fire Authority. Capital assets, net of accumulated depreciation, increased $4,641,736 (11%) due to a combination of asset acquisitions and depreciation in 2016.

Current liabilities grew nearly 58% over the previous year primarily due to construction in progress on a new station in Taylorsville and increased accrued interest related to long-term debt. Long-term liabilities increased 20% as a result of UFSA's bond refunding with additional proceeds of $6 million, offset by bond principal payments of $1,000,000 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, 2016, assets and deferred outflows of resources exceeded liabilities by $20,897,015, a decrease of $1,578,357 (7%) from the previous year. The decrease in net position during the year is primarily due to increased member fees paid to UFA partially offset by property taxes and impact fees that exceeded expectation as well as the efficient management of UFSA's budgeted funds.

UFSA's net position invested in capital assets, net of related debt, totaled $11,300,828, or 54% 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 ($312,295 for capital projects) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position ($9,283,892) 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,

	2016	2015	% Change
Assets			
Current and other assets	$ 8,870,428	$ 8,742,157	1%
Long-term note receivable	2,161,318	2,260,759	-4%
Capital assets, net of accumulated depreciation	45,987,121	41,345,385	11%
Total Assets	57,018,867	52,348,301	9%
Deferred Outflows of Resources			
Deferred charge on refunding	$ 91,638	$ -	100%
Total Assets and Deferred Outflows of Resources	$ 57,110,505	$ 52,348,301	9%
Liabilities			
Current and other liabilities	1,123,264	712,929	58%
Long-term liabilities	35,090,226	29,160,000	20%
Total Liabilities	$ 36,213,490	$ 29,872,929	21%
Net Position			
Invested in capital assets, net of related debt	11,300,828	12,185,385	-7%
Restricted	312,295	10,145	2978%
Unrestricted	9,283,892	10,279,842	-10%
Total Net Position	$ 20,897,015	$ 22,475,372	-7%

Charges for services (impact fees) decreased 25% in 2016 compared to the prior year due to several large developments begun in 2015. Taxes and motor vehicle fees, which were $44,638,122 for 2016, increased $1,056,394 from 2015 due to new growth. General government expenses exceeded $46 million in 2016 and increased 2% over 2015 primarily due to higher member fees paid to UFA.

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

	2016	2015	% Change
Program revenues			
Charges for services	$ 1,399,175	$ 1,855,819	-25%
General revenues			
Property taxes and motor vehicle fees	44,638,122	43,581,728	2%
Unrestricted investment earnings	189,836	148,475	28%
Loss on disposal of assets	(30,854)	-	100%
Miscellaneous revenue	82	-	100%
Total revenues	46,196,361	45,586,022	1%
Program expenses			
General government	46,264,154	45,316,840	2%
Interest on long-term debt	1,510,565	1,522,967	-1%
Total expenses	47,774,719	46,839,807	2%
Change in net position	(1,578,358)	(1,253,785)	26%
Net position - beginning	22,475,373	23,729,159	-5%
Net position - ending	$ 20,897,015	$ 22,475,374	-7%

FINANCIAL ANALYSIS OF UFSA'S FUNDS

Governmental Funds: As of December 31, 2016, the aggregate fund balance of UFSA's governmental funds was $8,325,224. Unassigned fund balance, which was available for appropriation by the UFSA Board, was $7,669,530. The remainder of the fund balance was restricted ($312,295 for capital outlay and $343,399 for debt service) and was not available for new spending because it had already been committed for spending.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: UFSA's investment in capital assets, net of accumulated depreciation, was $45,987,122 at December 31, 2016. Capital assets increased $4.6 million (11%) from 2015 to 2016 as a result of net additions ($5,721,916) offset by depreciation ($1,053,818).

Capital Assets, Net of Depreciation
As of December 31,

	2016	2015	% Change
Construction in progress	$ 5,892,885	$ 697,725	745%
Land	10,115,130	9,855,360	3%
Building and improvements	29,074,829	29,826,858	-3%
Land improvements	713,842	766,765	-7%
Machinery and equipment	190,436	198,677	-4%
	$ 45,987,122	$ 41,345,385	11%

Major capital asset additions during 2016 included:

- Construction in progress ($5,163,653) for a replacement station in Taylorsville
- Land preparation ($279,192) and building renovation ($196,740) for Station #251 in Eagle Mountain

Additional information on UFSA's capital assets is available in the notes to the financial statements.

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 $32,375,000. One interest payment of $59,812 was made during the year on the 2016A series bonds. Payments on the 2008 bonds in 2016 totaled $1,758,204 ($1,000,000 principal and $758,204 interest). Additional information about UFSA's long-term liabilities is available in the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- $891,000 increase in operating costs predominantly to cover the increase in member fees paid to UFA and a change in reporting for tax increment payments withheld by Salt Lake County on behalf of redevelopment agencies
- $4.2 million decrease in capital outlay for the transfer of construction costs on a new Taylorsville station to the Capital Projects fund

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

- New growth within UFSA resulted in taxes, motor vehicle fees, and impact fee revenues higher than anticipated (combined overage is more than $2.3 million)
- Management fees paid to UFA were lower than anticipated due to renegotiation of the agreement between the two parties
- Delays in construction resulted in lower capital outlay than anticipated

For a detailed budgetary comparison schedule, see the Required Supplementary Information section, beginning on page 23.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Unified Fire Service Area saw continued growth in 2016. In January 2014, the city of Taylorsville was annexed into the Service Area and land was purchased later that year to build a future fire station in the city. That station opened in March 2017.

While impact fee collections were lower than in 2015, they continue to be strong, reflecting the high growth of new residential and commercial developments.

UFSA continues to review plans for fire stations including the purchase of land for new stations, replacement of aging stations, and remodeling of some existing stations.

In April 2016, Moody's Investors Service assigned an Aa2 rating for the Service Area's refunding of the 2008 lease revenue bonds, with an implied GO bond rating of Aa1. Key rating drivers were the solid local economy and a sound debt profile.

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

STATEMENT OF NET POSITION
December 31, 2016

ASSETS		
Cash and cash equivalents	$	6,805,380
Cash and cash equivalents held by fiscal agent		1,188,312
Receivables		876,736
Long term related party note receivable		2,161,318
Capital assets, net of accumulated depreciation		45,987,121
Total Assets		57,018,867
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding		91,638
Total Assets and Deferred Outflows of Resources	$	57,110,505
LIABILITIES		
Accounts payable		545,204
Accrued liabilities		578,060
Lease revenue bonds payable		
Due within one year		148,780
Due in more than one year		34,941,446
Total Liabilities		36,213,490
NET POSITION		
Net Investment in Capital Assets		11,300,828
Restricted for capital projects		312,295
Unrestricted		9,283,892
Total Net Position	$	20,897,015

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

STATEMENT OF ACTIVITIES
Year ended December 31, 2016

Function/Programs	Expenses	PROGRAM REVENUES Charges for Services	NET EXPENSE AND NET POSITION
GOVERNMENTAL ACTIVITIES:			
General government	$ 46,264,154	$ 1,399,175	$ (44,864,979)
Interest on long-term debt	1,510,565	-	(1,510,565)
Total	$ 47,774,719	$ 1,399,175	(46,375,544)
GENERAL REVENUES			
Real property taxes			42,063,052
Motor vehicle fees			2,575,070
Unrestricted investment earnings			189,836
Loss on disposal of assets			(30,854)
Miscellaneous income			82
Total general revenues			44,797,186
Change in net position			(1,578,358)
Net position - beginning			22,475,373
Net position - ending			$ 20,897,015

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	MAJOR FUNDS			
	General Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 6,805,380	$ -	$ -	$ 6,805,380
Cash and cash equivalents held by fiscal agent	-	844,913	343,399	1,188,312
Receivables:				
Taxes receivable	876,736	-	-	876,736
Total Assets	$ 7,682,116	$ 844,913	$ 343,399	$ 8,870,428
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	$ 12,586	$ 532,618	$ -	$ 545,204
Total Liabilities	12,586	532,618	-	545,204
FUND BALANCES				
Spendable:				
Restricted for:				
Capital outlay	-	312,295	-	312,295
Debt service	-	-	343,399	343,399
Assigned for:				
Unassigned	7,669,530	-	-	7,669,530
Total Fund Balances	7,669,530	312,295	343,399	8,325,224
Total Liabilities and Fund Balances	$ 7,682,116	$ 844,913	$ 343,399	$ 8,870,428

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

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

December 31, 2016

Total Fund Balances - Governmental Funds		$ 8,325,224
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets in governmental activities are not financial resources and therefore are not reported in the funds.		45,987,121
Related party note receivable		2,161,318
Long-term liabilities, including lease revenue bonds, are not due and payable in the current period and, therefore, are not reported in the funds .		
Accrued interest on long term debt	$ (578,059)	
Loss on bond refunding	91,638	
Lease revenue bonds	(35,090,226)	
		(35,576,647)
Net Position of Governmental Activities		$ 20,897,015

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2016

	MAJOR FUNDS			
	General Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Real property taxes	$ 42,063,052	$ -	$ -	$ 42,063,052
Motor vehicle fees	2,575,070	-	-	2,575,070
Impact fees	1,399,175	-	-	1,399,175
Lease revenue	-	-	1,817,338	1,817,338
Investment earnings	174,556	12,831	2,449	189,836
Other income	82	-	-	82
Total Revenues	46,211,935	12,831	1,819,787	48,044,553
EXPENDITURES				
Current				
Salaries and benefits	21,638	-	-	21,638
Operations	46,389,970	-	-	46,389,970
General and administrative	457,519	-	-	457,519
Capital outlay	558,770	5,167,638	-	5,726,408
Debt service				
Principal	-	-	1,000,000	1,000,000
Interest	131,479	-	818,016	949,495
Debt issuance cost and fees	27,068	-	568,009	595,077
Total Expenditures	47,586,444	5,167,638	2,386,025	55,140,107
Deficiency of Revenues Under Expenditures	(1,374,509)	(5,154,807)	(566,238)	(7,095,554)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	5,664,458	26,710,542	32,375,000
Premium on long-term debt	-	335,542	2,460,274	2,795,816
Payment to refunded bond escrow agent	-	-	(28,254,693)	(28,254,693)
Principal payments received from related party	99,441	-	-	99,441
Transfers in	539,506	6,608	-	546,114
Transfers out	-	(539,506)	(6,608)	(546,114)
Total other financing sources	638,947	5,467,102	909,515	7,015,564
Net change in fund balances	(735,562)	312,295	343,277	(79,990)
Fund balances at beginning of year	8,405,092	-	122	8,405,214
Fund balances at end of year	$ 7,669,530	$ 312,295	$ 343,399	$ 8,325,224

The accompanying notes are an integral part of the 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, 2016

Total Net Change in Fund Balances - Governmental Funds		$ (79,990)
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	(1,053,818)	
Capital outlay	5,726,408	
		4,641,736
Principal payments received on long-term related party note receivable		(99,441)
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.		
Issuance of long-term debt	(32,375,000)	
Payment to refunded bond escrow agent	28,254,693	
Repayment of long-term debt	1,000,000	
		(3,120,306)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of the following:		
Amortization of refunding bond premium	80,589	
Amortization of loss on bond refunding	(3,055)	
Accrued interest on long-term debt	(202,075)	(124,541)
Change in Net Position of Governmental Activities		$ (1,578,358)

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

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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. The City of Taylorsville joined UFSA in January 1, 2014.

UFSA is a separate legal entity, with an eight member board of elected officials, three of which represent unincorporated areas of Salt Lake County and five of which represent the cities of Eagle Mountain, Herriman, Midvale, Riverton, and Taylorsville. Effective January 1, 2017, six new board members joined the UFSA board, representing Millcreek City and townships of Copperton, Emigration Canyon, Kearns, Magna, and White City.

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. It should be noted that 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.

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.

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

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 maturities of three months or less when purchased.

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 fair 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	2 – 31 years
Machinery and equipment	5 – 15 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 $343,397 at December 31, 2016, are used to report resources set aside for the payment of principal and interest on the lease revenue bonds.

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

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

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.

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.

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:

- *Invested in capital assets, net of related debt* – 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 capital projects* – This component of net position consists of net position related to funds held in escrow that are restricted for the completion of capital projects.
- *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, committeed, 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.

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 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, 2016:

Cash and cash equivalents:	
Cash - net of outstanding checks	$ 240,241
Public Treasurer's Investment Fund (PTIF)	6,565,139
Total unrestricted cash and cash equivalents	6,805,380
Cash and cash equivalents held by fiscal agent (invested in PTIF)	1,188,312
Total cash, cash equivalents, and investments	$ 7,993,692

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.

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, 2016, UFSA's depository bank balance was $240,306, of which none 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.

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.

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

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.

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, 2016, UFSA had $6,565,139 invested in PTIF. Additionally, $1,188,312 held by a fiscal agent was invested in PTIF at December 31, 2016. 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 generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

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

At December 31, 2016, 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	$ 240,241	1.000000	$ 240,241	N/A	N/A
Utah State Treasurer's investment pool accounts	7,753,451	1.004196	7,785,985	N/A	N/A
Total cash on deposit	$ 7,993,692		$ 8,026,226		

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

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

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.

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, 2016 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 2016 Certified Tax Rate for UFSA is .001888 (.001884 for general operations and .000004 for discharge of judgement).

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2016 are as follows:

	January 1, 2016	Additions/ Transfers In	Disposals/ Transfers Out	December 31, 2016
Capital assets not being depreciated:				
Construction in progress	$ 697,725	$ 5,199,653	$ (4,493)	$ 5,892,885
Land	9,855,360	286,131	(26,361)	10,115,130
Total capital assets not being depreciated	10,553,085	5,485,784	(30,854)	16,008,015
Capital assets being depreciated:				
Building and improvements	34,685,750	220,620		34,906,370
Land improvements	993,033	5,894		998,927
Machinery and equipment	288,276	14,111		302,387
Total capital assets being depreciated	35,967,059	240,625	-	36,207,684
Less accumulated depreciation for:				
Building and improvements	(4,858,892)	(972,649)		(5,831,541)
Land improvements	(226,268)	(58,817)		(285,085)
Machinery and equipment	(89,599)	(22,352)		(111,951)
Total accumulated depreciation	(5,174,759)	(1,053,818)	-	(6,228,577)
Total capital assets being depreciated, net	30,792,300	(813,193)	-	29,979,107
Total capital assets, net	$ 41,345,385	$ 4,672,591	$ (30,854)	$ 45,987,122

Depreciation charged for governmental activities for the year ended December 31, 2016, was $1,053,818.

NOTE 5 - SHORT-TERM DEBT

In March 2016, UFSA issued Tax and Revenue Anticipation Notes, Series 2016, in the amount of $23 million at a .69% interest rate for a short-term basis until tax revenue was received. Issuance costs related to the TRAN were $24,670. Principal and interest totaling $23,127,138 were paid on December 22, 2016.

NOTE 6 - LONG-TERM DEBT

Certain outstanding revenue bonds of UFSA have been defeased by placing the proceeds of refunding bonds in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide mounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in UFSA's financial statements. The defeased bonds outstanding at December 31, 2016, considered extinguished are as follows:

	Beginning	Decreases	Ending
Local Building Authority Lease Revenue Bonds, series 2008 (issued August 14, 2008)	$ 29,160,000	$ (1,000,000)	$ 28,160,000

Local Building Authority (LBA) 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.

On June 14, 2016, UFSA deposited cash on hand of $28,254,693 into an irrevocable escrow to advance refund, through an in-substance defeasance, $28,160,000 of the 2008 LBA Lease Revenue Bonds. As a result, the 2008 Bonds are considered to be defeased and the escrowed assets and the liability for the bonds have been removed from these financial statements. UFSA had an economic gain of $4,394,461.

The following is a schedule of future maturities on lease revenue and refunding bonds in the LBA as of December 31, 2016:

Maturity Date	Total	Principal	Interest	Interest Rates
2017	$ 1,374,731	$ -	$ 1,374,731	2.00%
2018	1,282,500	225,000	1,057,500	2.00%
2019	2,589,750	1,550,000	1,039,750	2.00%
2020	2,583,500	1,575,000	1,008,500	2.00%
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%
	$ 44,439,856	$ 32,375,000	$ 12,064,856	

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - INTERFUND ACTIVITY

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in the fund financial statements, but are generally excluded from the government-wide financial statements. There were two transfers during 2016:

- $539,506 from the Capital Projects fund to reimburse for construction costs incurred by the General fund prior to bond refunding in June 2016 (in accordance with the provisions of the bond)
- $6,608 from the Debt Service fund to the Capital Projects fund for excess cost of issuance funds not used that were transferred to cover construction costs

Debt service on the Local Building Authority Lease Revenue Bonds, series 2016, is payable from lease payments by UFSA to the LBA for the use of fire stations. During 2016, lease payments of $1,817,338 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 $24,654,206, with $2,687,341 of accumulated depreciation.

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 and interest of $43,573,557 and $4,338, respectively, to UFA during 2016. 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 $304,750 for the year ended December 31, 2016.

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 $99,441 in principal and $88,620 in interest to UFSA in 2016. The following is a schedule by years of future minimum payments required under the agreement as of December 31, 2016:

2017	$ 103,492
2018	107,708
2019	112,097
2020	116,664
2021	121,417
2022-2026	685,440
2027-2031	836,920
2032	77,580
	$ 2,161,318

NOTE 9 - SUBSEQUENT EVENTS

UFSA issued a Tax and Revenue Anticipation Note of $23 million in March 2017.

In May 2017, the UFSA Board contracted with an Administrator and Attorney for management and legal services.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Commitments for major construction projects totaled $585,538 at December 31, 2016.

As of December 31, 2016, UFSA did not have any pending litigation or potential nondisclosed liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
REVENUES				
Real property taxes	$ 40,065,000	$ 40,212,672	$ 42,063,052	$ 1,850,380
Motor vehicle fees	2,300,000	2,300,000	2,575,070	275,070
Impact fees	1,000,000	1,200,000	1,399,175	199,175
Interest income	150,000	150,000	174,556	24,556
Total Revenues	43,515,000	43,862,672	46,211,935	2,349,263
EXPENDITURES				
Current				
Salaries and benefits	30,000	30,000	21,638	8,362
Operations	45,500,000	46,390,558	46,389,970	588
General and administrative	746,000	746,000	457,519	288,481
Capital outlay	5,000,000	768,200	558,770	209,430
Debt service				
Interest	150,000	135,000	131,479	3,521
Debt issuance costs and fees	125,000	125,000	27,068	97,932
Total Expenditures	51,551,000	48,194,758	47,586,444	608,314
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,036,000)	(4,332,086)	(1,374,509)	2,957,577
OTHER FINANCING SOURCES				
Loan payments from related party	-	-	99,441	99,441
Transfers in	-	1,910,000	539,506	(1,370,494)
Total other financing sources	-	1,910,000	638,947	(1,271,053)
Net change in fund balance	(8,036,000)	(2,422,086)	(735,562)	$ 1,686,524
Fund balance at beginning of year	8,405,092	8,405,092	8,405,092	
Fund balance at end of year	$ 369,092	$ 5,983,006	$ 7,669,530	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

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.

- A meeting of the Board of Trustees is then called for the purpose of adopting the tentative budget after seven days public notice of the meeting has been given.

- 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 generally accepted accounting principles for governmental funds.

OTHER SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules
Supplemental Reports

BUDGETARY COMPARISON SCHEDULES

Year ended December 31, 2016

LOCAL BUILDING AUTHORITY – CAPITAL PROJECTS FUND

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
EXPENDITURES				
Capital outlay	$ -	$ 4,090,000	$ 5,167,638	$ (1,077,638)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(4,090,000)	(5,154,807)	(1,064,807)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	6,000,000	6,000,000	6,000,000	-
Transfers in	-	-	6,608	6,608
Transfers out	-	(1,910,000)	(539,506)	1,370,494
Total other financing sources (uses)	6,000,000	4,090,000	5,467,102	1,377,102
Net change in fund balance	6,000,000	-	312,295	$ 312,295
Fund balance at beginning of year	-	-	-	
Fund balance at end of year	$ 6,000,000	$ -	$ 312,295	

BUDGETARY COMPARISON SCHEDULES

Year ended December 31, 2016

LOCAL BUILDING AUTHORITY – DEBT SERVICE FUND

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	Amounts	Budget
REVENUES				
Rent income	$ 1,500,000	$ 1,821,973	$ 1,817,338	$ (4,635)
Interest income	-	-	2,449	2,449
Total Revenues	1,500,000	1,821,973	1,819,787	(2,186)
EXPENDITURES				
Debt service				
Principal	1,000,000	1,000,000	1,000,000	-
Interest	500,000	821,973	818,016	3,957
Bond issuance cost and trustee fees	-	-	568,009	(568,009)
Total Expenditures	1,500,000	1,821,973	2,386,025	(564,052)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(566,238)	(566,238)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	29,170,816	29,170,816
Payment to refunded bond escrow agent	-	-	(28,254,693)	(28,254,693)
Transfers out	-	-	(6,608)	(6,608)
Total other financing sources (uses)	-	-	909,515	909,515
Net change in fund balance	-	-	343,277	$ 343,277
Fund balance at beginning of year	122	122	122	
Fund balance at end of year	$ 122	$ 122	$ 343,399	

Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

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

Board of Trustees
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 governmental activities and each major fund of Unified Fire Service Area (UFSA), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise UFSA's basic financial statements, and have issued our report thereon dated June 13, 2017.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered UFSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UFSA's internal control. Accordingly, we do not express an opinion on the effectiveness of UFSA'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 UFSA's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

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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 UFSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UFSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keddington & Christensen, LLC

June 13, 2017

Keddington & Christensen, LLC
Certified Public Accountants

Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA

INDEPENDENT AUDITOR'S REPORT AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE ON: COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Unified Fire Authority
Salt Lake City, Utah

Report On Compliance with General State Compliance Requirements

We have audited Unified Fire Service Area's (UFSA) compliance with the applicable general state compliance requirements described in the *State Compliance Audit Guide,* issued by the Office of the Utah State Auditor, that could have a direct and material effect on UFSA for the year ended December 31, 2016.

General state compliance requirements were tested for the year ended December 31, 2016 in the following areas:

Budgetary Compliance
Fund Balance
Open and Public Meetings Act
Treasurer's Bond
Impact Fees
Special and Local Service District Board Members

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

Auditor's Responsibility
Our responsibility is to express an opinion on UFSA's compliance based on our audit of the 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 compliance requirements referred to above that could have a direct and material effect on UFSA. An audit includes examining, on a test basis, evidence about UFSA'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 with general state compliance requirements. However, our audit does not provide a legal determination of UFSA's compliance.

Opinion on General State Compliance Requirements
In our opinion, Unified Fire Service Area complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on UFSA for the year ended December 31, 2016.

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Other Matters
The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Compliance Audit Guide and which are described in the accompanying schedule of findings and recommendations as items 2016-1 and 2016-2. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of UFSA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered UFSA's internal control over compliance with the compliance requirements that could have a direct and material effect on UFSA to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general 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 UFSA'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 general state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and recommendations as items 2016-1 and 2016-2 that we consider to be significant deficiencies.

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

The purpose of this report 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.

Keddington & Christensen, LLC

June 13, 2017

UNIFIED FIRE SERVICE AREA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Year Ended December 31, 2016

<u>State Compliance Findings</u>

2016-1 Budgetary Compliance (Significant Deficiency)

Condition: During our test work, it was noted that expenditures/other financing uses exceeded budgeted amounts by 28,818,745.

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

Cause: Expenditures/other financing uses exceeded budgeted amounts.

Effect: The District did not comply with the UCA as referenced above.

District Response: Management did not amend the budget for all components of the bond refunding transaction in 2016. Need for budget amendments will be closely monitored throughout the year.

2016-2 Open and Public Meetings Act (Significant Deficiency)

Condition: During our test work, it was noted that annual training was not provided to board members on the requirements of open and public meetings.

Criteria: According to Utah Code Annotated (UCA) 52-4-104, "The presiding officer of the public body shall ensure that the members of the public body are provided with annual training on the requirements of this chapter."

Cause: The board members were not provided with the training.

Effect: The District did not comply with the UCA as referenced above.

District Response: Due to the management changes and transition with legal representation for the organization during 2016, required training was not provided. Training has already been provided to board members for 2017 and will continue to be provided annually.