

UNIFIED FIRE SERVICE AREA

ANNUAL FINANCIAL REPORT

December 31, 2021

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

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CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise UFSA's basic financial statements as listed in the table of contents.

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, 2021, 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 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 UFSA 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 UFSA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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 generally accepted auditing standards 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 generally accepted auditing standards 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 UFSA'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 UFSA'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.

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 for the General Fund, as noted on the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the UFSA's basic financial statements. The accompanying budgetary comparison schedule for the Debt Service Fund, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule for the Debt Service Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2022, on our consideration of the UFSA'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 UFSA'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 UFSA's internal control over financial reporting and compliance.

KYC, CPA₁

Salt Lake City, Utah

June 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

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, 2021. 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, 2021, was \$23,234,422. This amount decreased by over \$3.5 million (13%) compared to 2020, primarily due to asset transfers to related entities (\$4,809,402) offset partially by property taxes and impact fees exceeding expectation due to new growth as well as 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 \$16,105,267 on December 31, 2021. *Net position invested in capital assets, net of related debt*, was \$5,929,084 on December 31, 2021.

UFSA reported combined ending fund balance for governmental funds of \$49,198,909 as of December 31, 2021. Combined fund balance increased by \$35,912,855 (270%) from 2020 to 2021. The increase is primarily due to proceeds from debt issuance in 2021 for land and station construction in addition to property tax and impact fee revenues exceeding expectations as well as efficient management of expenditures. The total spendable fund balance on December 31, 2021, was \$47,598,968 which represented 84% of total fund expenditures. Of the total spendable fund balance, \$14,308,692 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.

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

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 29) has been provided for the General Fund to demonstrate compliance with the budget.

FINANCIAL ANALYSIS OF UFSA AS A WHOLE

Current assets increased 264% (\$35.5 million) in 2021 primarily due to higher cash balances resulting from bond proceeds held in trust and increased tax and fee collections, offset by a decrease in taxes receivable. UFSA's related party long-term note receivable decreased seven percent in 2021 as a result of payments received from Unified Fire Authority. Capital assets, net of accumulated depreciation, decreased \$335,406 (1%) due to asset disposals and depreciation expense exceeding acquisitions in 2021.

Current liabilities increased 315% (\$1,271,954) over the previous year primarily due to construction management services and capital improvements in process at year end as well as an increase in accrued interest resulting from a new bond issuance in 2021. Long-term liabilities increased 120% as a result of a 2021 bond issuance (\$39,212,330) offset by bond principal payments (\$1,600,000) and amortization of bond premiums (\$310,304) during the year.

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

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, 2021, assets and deferred outflows of resources exceeded liabilities by \$23,234,422, a decrease of \$3,547,330 (13%) from the previous year. The decrease in net position during the year is mainly due to asset transfers to related entities (\$4,809,402) offset partially by property taxes and impact fees exceeding expectation due to new growth as well as the efficient management of UFSA's budgeted funds.

Summary of Statement of Net Position As of December 31,

	2021	2020	% Change
Assets			
Current and other assets	\$ 48,929,944	\$ 13,441,432	264%
Long-term note receivable	1,599,941	1,721,357	-7%
Capital assets, net of accumulated depreciation	42,761,426	43,096,832	-1%
Total Assets	<u>93,291,311</u>	<u>58,259,621</u>	60%
Deferred Outflows of Resources			
Deferred charge on refunding	\$ 66,443	\$ 71,482	-7%
Total Assets and Deferred Outflows of Resources	<u>\$ 93,357,754</u>	<u>\$ 58,331,103</u>	60%
Liabilities			
Current and other liabilities	1,676,199	404,245	315%
Long-term liabilities	68,447,133	31,145,106	120%
Total Liabilities	<u>\$ 70,123,332</u>	<u>\$ 31,549,351</u>	122%
Net Position			
Invested in capital assets, net of related debt	5,929,084	11,632,241	-49%
Restricted	1,200,071	210	571362%
Unrestricted	16,105,267	15,149,300	6%
Total Net Position	<u>\$ 23,234,422</u>	<u>\$ 26,781,751</u>	-13%

UFSA's net position invested in capital assets, net of related debt, totaled \$5,929,084, or 26% 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 (\$1,200,071 for debt service) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (\$16,105,267) may be used to meet general, ongoing financial obligations without constraints established by debt covenants or other legal requirements.

Charges for services (impact fees) decreased 11% in 2021 compared to the prior year primarily due to Herriman City and Riverton City separating from UFSA, offset by continuing construction in other areas. UFSA was awarded a Federal pass-through grant to provide seismic upgrades to numerous fire stations within its service area, resulting in \$355,270 grant revenue in 2021. Taxes and motor vehicle fees decreased \$9,875,186 (18%) compared to 2020, also primarily due to Herriman and Riverton's separation from UFSA, offset by new growth. UFA received intergovernmental revenue totaling \$759,111 also related to Herriman and Riverton's separation from UFSA.

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

General government expenses were approximately \$46.3 million in 2021 and decreased 16% (nearly \$9 million) compared to 2020 primarily due to lower UFA member fees paid and decreased tax increment payments, again primarily due to entities having separated from UFSA in 2021. These separations also generated a loss on disposal of assets with net book values of approximately \$4.7 million. UFSA also transferred equipment to UFA with net book value of \$118,341. Interest on long-term debt increased \$1,114,415 (130%) predominantly due to the 2021 issuance of lease revenue bonds.

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

	2021	2020	% Change
Program revenues			
Charges for services	\$ 2,150,204	\$ 2,409,251	-11%
Grants	355,270	-	100%
General revenues			
Property taxes and motor vehicle fees	46,069,048	55,944,234	-18%
Intergovernmental revenue	773,381	-	100%
Unrestricted investment earnings	194,857	222,605	-12%
Loss on disposal of assets	(4,809,402)	-	100%
Miscellaneous revenue	13,034	1,021	1177%
Total revenues	<u>44,746,392</u>	<u>58,577,111</u>	-24%
Program expenses			
General government	46,318,917	55,281,015	-16%
Interest on long-term debt	1,974,805	860,390	130%
Total expenses	<u>48,293,722</u>	<u>56,141,405</u>	-14%
Change in net position	(3,547,330)	2,435,706	-246%
Net position - beginning	26,781,752	24,334,652	10%
Net position - ending	<u>\$ 23,234,422</u>	<u>\$ 26,770,358</u>	-13%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: UFSA's investment in capital assets, net of accumulated depreciation, was \$42,761,426 at December 31, 2021. Capital assets decreased \$335,406 (1%) from 2020 to 2021 as a result of net additions (\$5,482,493) offset by depreciation (\$1,008,497) and disposals (\$4,809,402).

Capital Assets, Net of Depreciation As of December 31,

	2021	2020	% Change
Construction in progress	\$ 4,497,968	\$ 326,862	1276%
Land	10,587,278	10,471,633	1%
Building and improvements	27,124,489	31,483,445	-14%
Land improvements	396,506	523,489	-24%
Machinery and equipment	155,185	291,403	-47%
	<u>\$ 42,761,426</u>	<u>\$ 43,096,832</u>	-1%

UNIFIED FIRE SERVICE AREA ANNUAL FINANCIAL REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

Major capital asset additions during 2021 included land for a replacement station in Eagle Mountain (\$734,132), nonstructural seismic upgrades at eleven fire stations (\$164,154), preconstruction work for five stations to be funded with bond proceeds in 2021 (\$4,196,506), 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.

Long-term Debt: In June 2016, the Local Building Authority (LBA) of UFSA issued Lease Revenue & Refunding Bonds Series 2016A 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 \$27,425,000. Debt payments totaling \$2,576,750 (\$1,600,000 principal and \$976,750 interest) were made during the year on the 2016A series bonds. Unamortized premium on the 2016A bonds is \$1,971,329. Amortization of premium on the 2016A bonds was \$148,779.

In March 2021, the Local Building Authority (LBA) of UFSA issued Lease Revenue Bonds Series 2021 to gain funding to purchase land and construct five fire stations. UFSA's bonds are rated Aa2 by Moody's. Principal owed for the 2021 bonds is \$34,905,000. Interest payments totaling \$603,710 were made during the year on the 2021 series bonds. Unamortized premium on the 2021 bonds is \$4,145,805. Amortization of premium on the 2021 bonds was \$161,525.

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, 2021, the aggregate fund balance of UFSA's governmental funds was \$49,198,909. Unassigned fund balance, which was available for appropriation by the UFSA Board, was \$14,308,692. The remainder of the fund balance was not available for new spending because it had already been committed for spending (\$32,090,205 committed for capital outlay and \$1,200,071 restricted for debt service).

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- \$500,000 and \$580,000 increases to property taxes and impact fees, respectively, due to new growth
- \$354,616 rise in operating costs predominantly from increases to RDA/CDA tax payments, offset by a more modest increase in member fees from Unified Fire Authority than anticipated in UFSA's original 2021 budget
- \$250,000 decrease in interest expense due to a lower interest rate obtained for TRAN financing than was expected

Significant variations in actual results compared to 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 \$516,000)
- Budgeted grant revenue (\$2.3 million) and related capital outlay expenditures (\$2.7 million) were not fully recognized due to related construction projects not completed during 2021
- Budget exceeded actual RDA/CDA tax payments by \$751,481

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, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

At the end of 2021, Unified Fire Service Area's economic condition continues to be 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. The entities that make up UFSA have widely developed and diverse economic sectors. Utah is and will continue to be among the top-performing states with Salt Lake and Utah County at the epicenter of Utah economy. With the completion of the most recent census, Salt Lake County had 15.1% population growth since 2010 with Utah County at 27.7%. Our state continues to have unemployment rates well below the national average with positive job growth. Inflation is causing the recovery to be a little uneven with supply constraints and price instability.

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 2022 budget continues the plan to build one new station in Eagle Mountain and to rebuild four stations (Magna, Millcreek, Midvale, and Eagle Mountain). UFSA is feeling the effects of construction inflation with this project. This along with other building code issues has caused a delay in the rebuild of station 112 in Millcreek City. UFSA will now focus on three re-builds and one new station with the proceeds from the 2021 lease revenue bond, 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%. Construction contractors have been selected for all four projects.

UFSA was also awarded a \$2.06 million 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 three 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 entity's 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, 2021

ASSETS

Cash and cash equivalents	\$ 13,528,215
Cash and cash equivalents held by fiscal agent	34,084,488
Receivables	1,317,241
Long-term related party note receivable	1,599,941
Capital assets, net of accumulated depreciation	<u>42,761,426</u>
Total Assets	<u>93,291,311</u>

DEFERRED OUTFLOWS OF RESOURCES

Loss on refunding	<u>66,443</u>
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Total Assets and Deferred Outflows of Resources	<u>\$ 93,357,754</u>
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LIABILITIES

Accounts payable	\$ 251,755
Restricted accounts payable	794,230
Accrued liabilities	630,214
Lease revenue bonds payable	
Due within one year	1,650,000
Due in more than one year	<u>66,797,133</u>
Total Liabilities	70,123,332

NET POSITION

Net Investment in Capital Assets	5,929,084
Restricted for debt service	1,200,071
Unrestricted	<u>16,105,267</u>

Total Net Position	<u>\$ 23,234,422</u>
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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, 2021

Function/Programs	Expenses	PROGRAM REVENUES			NET EXPENSE AND NET POSITION
		Charges for Services	Operating Grants	Capital Grants	
GOVERNMENTAL ACTIVITIES:					
General government	\$ 46,318,917	\$ 2,150,204	\$ 238,697	\$ 116,573	\$ (43,813,443)
Interest on long-term debt	<u>1,974,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,974,805)</u>
Total	<u>\$ 48,293,722</u>	<u>\$ 2,150,204</u>	<u>\$ 238,697</u>	<u>\$ 116,573</u>	<u>(45,788,248)</u>
GENERAL REVENUES					
Real property taxes					43,836,243
Motor vehicle fees					2,232,805
Intergovernmental revenue					773,381
Rental income					11,394
Unrestricted investment earnings					194,857
Loss on disposal of assets					(4,809,402)
Miscellaneous income					<u>1,640</u>
Total general revenues					<u>42,240,918</u>
Change in net position					(3,547,330)
Net position - beginning					<u>26,781,752</u>
Net position - ending					\$ 23,234,422

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

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2021

	MAJOR FUNDS			
	General Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 13,439,838	\$ 88,377	\$ -	\$ 13,528,215
Cash and cash equivalents held by fiscal agent	-	32,884,417	1,200,071	34,084,488
Receivables:				
Taxes receivable	1,032,006	-	-	1,032,006
Grants receivable	270,963	-	-	270,963
Due from related parties	14,272	-	-	14,272
Net receivables	1,317,241	-	-	1,317,241
Total Current Assets	14,757,079	32,972,794	1,200,071	48,929,944
Long-term related party note receivable	1,599,941	-	-	1,599,941
TOTAL ASSETS	\$ 16,357,020	\$32,972,794	\$ 1,200,071	\$ 50,529,885
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	\$ 251,755	\$ -	\$ -	\$ 251,755
Restricted accounts payable	-	794,230	-	794,230
Retention payable	-	88,359	-	88,359
TOTAL LIABILITIES	251,755	882,589	-	1,134,344
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	196,632	-	-	196,632
TOTAL LIABILITIES AND DEFERRED INFLOWS	448,387	882,589	-	1,330,976
FUND BALANCES				
Nonspendable	1,599,941	-	-	1,599,941
Spendable:				
Restricted for Debt Service	-	-	1,200,071	1,200,071
Restricted for Capital Outlay	-	32,090,205	-	32,090,205
Unassigned	14,308,692	-	-	14,308,692
TOTAL FUND BALANCES	15,908,633	32,090,205	1,200,071	49,198,909
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 16,357,020	\$32,972,794	\$ 1,200,071	\$ 50,529,885

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

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

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

December 31, 2021

Total Fund Balances - Governmental Funds	\$ 49,198,909
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets in governmental activities are financial resources and therefore are not reported in the funds.	42,761,426
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Some receivables are not available soon enough to pay for the current period's expenditure, and therefore, are reported as unearned in the governmental funds balance sheet.	196,632
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Long-term liabilities, including lease revenue bonds, are not due and payable in the current period; therefore, are not reported in the funds.

Accrued interest on long term debt	\$ (541,855)	
Loss on bond refunding	66,443	
Lease revenue bonds	<u>(68,447,133)</u>	
		<u>(68,922,545)</u>

Net Position of Governmental Activities	<u><u>\$ 23,234,422</u></u>
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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, 2021

	MAJOR FUNDS			Total Governmental Funds
	General Fund	Capital Improvement Fund	Debt Service Fund	
REVENUES				
Real property taxes	\$ 43,836,243	\$ -	\$ -	\$ 43,836,243
Motor vehicle fees	2,232,805	-	-	2,232,805
Impact fees	2,150,204	-	-	2,150,204
Grants	172,908	-	-	172,908
Intergovernmental	759,111	-	-	759,111
Lease/rent revenue	11,394	-	2,576,173	2,587,567
Investment earnings	106,272	84,380	4,205	194,857
Other income	1,640	-	-	1,640
Total Revenues	49,270,577	84,380	2,580,378	51,935,335
EXPENDITURES				
Current				
Operations	47,199,292	-	-	47,199,292
General and administrative	626,376	-	-	626,376
Capital outlay	551,854	4,930,639	-	5,482,493
Debt service				
Principal	-	-	1,600,000	1,600,000
Interest	40,625	-	1,580,460	1,621,085
Debt issuance cost and fees	20,300	-	406,622	426,922
Total Expenditures	48,438,447	4,930,639	3,587,082	56,956,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	832,130	(4,846,259)	(1,006,704)	(5,020,833)
OTHER FINANCING SOURCES & USES				
Issuance of long-term debt	-	32,692,671	2,212,329	34,905,000
Premium on long-term debt	-	4,307,329	-	4,307,329
Transfers in	732,691	5,764	-	738,455
Transfers out	-	(732,691)	(5,764)	(738,455)
Total other financing sources	732,691	36,273,073	2,206,565	39,212,329
Net change in fund balances	1,564,821	31,426,814	1,199,861	34,191,496
Fund balances at beginning of year	12,622,454	663,391	210	13,286,055
Prior period adjustment	1,721,358	-	-	1,721,358
Fund balances at end of year	<u>\$ 15,908,633</u>	<u>\$ 32,090,205</u>	<u>\$ 1,200,071</u>	<u>\$ 49,198,909</u>

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, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	34,191,496
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Amounts reported for governmental activities in the Statement of
Activities are different because:

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

Disposition of capital assets	\$	(4,809,402)	
Depreciation expense		(1,008,497)	
Capital outlay		5,482,493	(335,406)

Net revenues in the Statement of Activities that do not provide financial resources are not reported as revenues in the government		196,632
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The issuance of long-term debt provides current financial
to governmental funds, but issuing debt increases long-term
in the statement of net position. Costs associated with the
long-term debt are reported as expenditures in the governmental
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
term liabilities in the statement of net position.

Issuance of long-term debt		(39,212,329)	
Repayment of long-term debt		1,600,000	(37,612,329)

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

Amortization of refunding bond premium	\$	310,304	
Amortization of loss on bond refunding		(5,039)	
Accrued interest on long-term debt		(292,988)	12,277

Change in Net Position of Governmental Activities	\$	(3,547,330)
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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, 2021

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 on January 1, 2014. UFSA is a separate legal entity, with a twelve-member board of elected officials, three of which represent unincorporated areas of Salt Lake County and nine of which represent the cities of Eagle Mountain, Midvale, Millcreek, 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. On January 1, 2021, the Town of Alta joined UFSA and Herriman and Riverton separated from UFSA.

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, 2021

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, 2021

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 and 2021 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 \$34,084,488 at December 31, 2021, 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. UFSA considers revenue available if received within 90 days.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

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.

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.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents, and investments consisted of the following as of December 31, 2021:

Cash and cash equivalents:

Cash - net of outstanding checks	\$ 612,804
Public Treasurer's Investment Fund (PTIF)	<u>12,915,411</u>
Total unrestricted cash and cash equivalents	13,528,215
Cash and cash equivalents held by fiscal agent (invested in PTIF)	<u>34,084,488</u>
Total cash, cash equivalents, and investments	<u>\$ 47,612,703</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.

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, 2021, UFSA's depository bank balance was \$624,625, of which \$374,625 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).

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

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

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, 2021, UFSA had \$12,915,410 invested in PTIF. Additionally, \$34,084,488 held by a fiscal agent was invested in PTIF at December 31, 2021. 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, 2021, UFSA had the following cash and investments:

	<u>Carrying Value</u>	<u>Fair Value Factor</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
Cash on deposit:					
Cash on deposit	\$ 612,804	1.000000	\$ 612,804	N/A	N/A
Utah State Treasurer's					
investment pool accounts	<u>46,999,899</u>	1.000024	<u>47,001,012</u>	N/A	N/A
Total cash on deposit	<u>\$47,612,703</u>		<u>\$47,613,816</u>		

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

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, 2021, were with the PTIF and therefore are unrated and are not categorized as to custodial credit risk.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

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

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.

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.

NOTE 3 – CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2021, are as follows:

	January 1, 2021	Additions/ Transfers In	Disposals/ Transfers Out	December 31, 2021
Capital assets not being depreciated:				
Construction in progress	\$ 326,862	\$ 4,428,043	\$ (256,937)	\$ 4,497,968
Land	10,471,633	734,132	(618,487)	10,587,278
Total capital assets not being depreciated	10,798,495	5,162,175	(875,424)	15,085,246
Capital assets being depreciated:				
Building and improvements	41,646,456	540,666	(5,812,353)	36,374,769
Land improvements	1,046,835	25,900	(180,349)	892,386
Machinery and equipment	514,795	10,689	(297,576)	227,908
Total capital assets being depreciated	43,208,086	577,255	(6,290,278)	37,495,063
Less accumulated depreciation for:				
Building and improvements	(10,163,011)	(942,676)	1,855,407	(9,250,280)
Land improvements	(523,346)	(50,789)	78,255	(495,880)
Machinery and equipment	(223,392)	(15,032)	165,701	(72,723)
Total accumulated depreciation	(10,909,749)	(1,008,497)	2,099,363	(9,818,883)
Total capital assets being depreciated, net	32,298,337	(431,242)	(4,190,915)	27,676,180
Total capital assets, net	\$ 43,096,832	\$ 4,730,933	\$ (5,066,339)	\$ 42,761,426

Depreciation charged for governmental activities for the year ended December 31, 2021, was \$1,008,497.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

NOTE 4 – 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 2021 Certified Tax Rate for UFSA is .001594 (.001592 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 2021 for other governments are recorded as revenue with an equivalent amount of expenditure totaling \$2,248,519. Incremental taxes forwarded during 2021 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
Eagle Mountain Sweetwater #1	80%	432,616 *
Eagle Mountain Pole Canyon	60%	43,133
Magna Arbor Park	90%	41,823
Magna Main Street	80%	87,927
Midvale Bingham Junction	80%	949,077
Midvale Jordan Bluffs	80%	169,806
Millcreek City Center	80%	18,971
West Millcreek	80%	145,933
Taylorsville 5400 S Bangerter Highway	75%	34,529
Taylorsville 6200 S Redwood Road	75%	45,044
Taylorsville Bennion Point	75%	152,225
Utah Inland Port Authority	75%	127,436
		<u>\$2,248,519</u>

*Note: Eagle Mountain Sweetwater #1 percentage for personal property is 100%

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

NOTE 5 – SHORT-TERM DEBT

In April 2021, UFSA issued Tax and Revenue Anticipation Notes, Series 2021 (TRAN), in the amount of \$19.5 million at a 0.2999% interest rate for a short-term basis until tax revenue was received. Issuance costs related to the TRAN were \$20,300. Principal and interest totaling \$19,540,625 were paid on December 17, 2021.

NOTE 6 -LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended December 31, 2021:

	<u>Beginning</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u>
LBA Lease Revenue & Refunding Bonds, series 2016	\$ 29,025,000	\$ -	\$ (1,600,000)	\$ 27,425,000
LBA Lease Revenue & Refunding Bonds, series 2016 premium	2,120,107	-	(148,779)	1,971,328
LBA Lease Revenue Bonds series 2021	-	34,905,000	-	34,905,000
LBA Lease Revenue Bonds series 2021 premium	-	4,307,330	(161,525)	4,145,805
Local Building Authority lease revenue bonds	<u>\$ 31,145,107</u>	<u>\$ 39,212,330</u>	<u>\$ (1,910,304)</u>	<u>\$ 68,447,133</u>

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.

Local Building Authority Lease Revenue, series 2021, were issued on March 30, 2021, in the amount of \$34,905,000 for land and construction of five fire stations located in Magna, Midvale, Millcreek, and Eagle Mountain. The bonds bear interest from 2.00% to 5.00% and are due in annual installments ranging from \$1,205,000 to \$2,350,000 through April 1, 2041. 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.

Assets pledged as collateral on these bonds include original cost of \$35,130,252, with \$5,818,179 of accumulated amortization.

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

NOTE 6 - LONG-TERM DEBT (Continued)

UFSA's outstanding bonds contain provisions related to events of default as follows:

- Acceleration – Upon an Event of Default, bondholders holding 25% of aggregate principal of the outstanding bonds can vote to make all principal and interest due immediately. Funds available to pay the obligations are restricted to any appropriations of the Service Area MBA and amounts held in bond accounts but do not create a general obligation of UFSA or the MBA.
- Surrender of Possession of MBA buildings – In an Event of Default, Trustee will take possession of the buildings and seek to recoup funds by leasing or selling them to satisfy the obligation.
- Waiver of Default Provisions – A majority of bondholders can choose to waive default provisions by vote signifying such to the Trustee in writing.
- Opportunity to Cure – The MBA will have a 30-day period after receipt of notice from bondholders to correct a default.

The following is a schedule of future maturities on lease revenue bonds in the LBA as of December 31, 2021:

Maturity Date	Series 2016A		Series 2021	
	Principal	Interest	Principal	Interest
2022	\$ 1,650,000	\$ 927,750	\$ -	\$ 1,200,750
2023	1,725,000	860,250	1,205,000	1,170,625
2024	1,800,000	789,750	1,275,000	1,108,625
2025	1,875,000	716,250	1,350,000	1,043,000
2026	1,950,000	639,750	1,425,000	973,625
2027	2,025,000	570,375	1,475,000	901,125
2028	2,075,000	508,875	1,550,000	825,500
2029	2,150,000	445,500	1,650,000	745,500
2030	2,200,000	380,250	1,725,000	661,125
2031	2,275,000	313,125	1,800,000	582,000
2032	2,350,000	232,000	1,875,000	508,500
2033	2,450,000	136,000	1,950,000	432,000
2034	1,425,000	65,625	2,025,000	352,500
2035	1,475,000	22,125	2,100,000	291,000
2036	-	-	2,150,000	248,500
2037	-	-	2,175,000	205,250
2038	-	-	2,225,000	161,250
2039	-	-	2,275,000	116,250
2040	-	-	2,325,000	70,250
2041	-	-	2,350,000	23,500
	<u>\$ 27,425,000</u>	<u>\$ 6,607,625</u>	<u>\$ 34,905,000</u>	<u>\$ 11,620,875</u>
Plus unamortized premium	1,971,329	-	4,145,805	-
	<u>\$ 29,396,329</u>	<u>\$ 6,607,625</u>	<u>\$ 39,050,805</u>	<u>\$ 11,620,875</u>

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

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.

UFSA reported an interfund transfer of \$732,691 from Capital Projects Fund to the General Fund to reimburse for a short-term funds advancement in 2020 for preconstruction costs incurred prior to bond financing. UFSA reported an interfund transfer of \$5,764 from Debt Service Fund to Capital Projects Fund to utilize excess funds for construction not needed for cost of issuance related to the 2021 bond issuance.

Debt service on the LBA Lease Revenue Bonds is payable from lease payments by UFSA to the LBA for the use of fire stations. During 2021, lease payments of \$2,576,173 were paid by the General fund to the LBA's Debt Service fund. Future lease payments are equal to the required debt service payments. Assets recorded under this operating lease are land and buildings having original cost of \$35,130,252 with \$5,818,179 of accumulated depreciation.

NOTE 8 – RELATED PARTY TRANSACTIONS

UFSA has been a member of UFA since its inception in July 2004. Beginning in 2008, UFA assumed management of UFSA from Salt Lake County. UFSA paid member fees of \$41,312,116 to UFA during 2021. UFA provides fire protection service and staffing, equipment, and station maintenance for the fees it receives from UFSA. In 2021, UFSA paid management fees to UFA for its services (\$370,750) and reimbursed UFA for vendor payments made on its behalf (\$6,171). Accounts payable as of December 31, 2021, totaled \$1,194.

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 \$121,417 in principal and \$66,644 in interest to UFSA in 2021. The following is a schedule by years of future minimum payments required under the agreement as of December 31, 2021:

2022	\$ 126,363
2023	131,512
2024	136,870
2025	142,446
2026	148,249
2026-2030	836,920
2031-2032	77,581
	<u>\$ 1,599,941</u>

UNIFIED FIRE SERVICE AREA BASIC FINANCIAL STATEMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended December 31, 2021

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

Herriman City and Riverton City terminated participation in Unified Fire Service Area on January 1, 2021. As part of the withdrawal agreements with each entity, UFSA will distribute each entity's share of UFSA minimum reserve fund balance. In turn, both cities will pay their portion of the 2016 outstanding bond debt. Payments made to and from UFSA will be made annually over the remaining life of the 2016A Bonds through 2035. Amounts paid in 2021 include fund balance distributions to the cities of \$101,773 and debt service contributions from them totaling \$759,111. Future payments related to these agreements are shown in the schedule to the right.

Note: UFSA will hold back a portion of the cities' fund balance payouts equal to the 2035 debt payments and use that amount to make each city's final payment. As a result, UFSA will not actually make a fund balance payment to the cities in 2035; it will use the amount held back towards making the final bond payment.

	Fund Balance		Bond Debt	
	Distribution		Reimbursement	
	Herriman	Riverton	Herriman	Riverton
2022	\$ 37,941	\$ 63,832	\$ 444,920	\$ 314,486
2023	37,941	63,832	446,214	315,401
2024	37,941	63,832	446,991	315,950
2025	37,941	63,832	447,250	316,133
2026	37,941	63,832	446,991	315,950
2027	37,941	63,832	447,962	316,636
2028	37,941	63,832	445,977	315,233
2029	37,941	63,832	447,983	316,651
2030	37,941	63,832	445,351	314,791
2031	37,941	63,832	446,710	315,751
2032	37,941	63,832	445,653	315,004
2033	37,941	63,832	446,344	315,492
2034	37,941	63,832	257,282	181,856
2035	258,404	182,649	258,404	182,649

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 that UFSA issued a Tax and Revenue Anticipation Note of \$19 million in April 2022.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

UFSA has begun reporting its related party note receivable from UFA on the governmental balance sheet when it has not in past years. More information about this long-term note receivable can be found in Note 8, Related Party Transactions. An adjustment resulting from a restatement of beginning fund balance of the General Fund is as follows:

	Net Fund		
	Balance	Adjustment	Restated
Governmental activities	\$ 12,622,454	1,721,358	\$ 14,343,812

NOTE 11 - COMMITMENTS AND CONTINGENCIES

As of December 31, 2021, UFSA did not have any pending litigation or potential nondisclosed liabilities. As of December 31, 2021, UFSA had construction commitments as follows:

General fund	\$ 10,268,279
Capital Projects fund	139,832

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

UNIFIED FIRE SERVICE AREA REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
REVENUES				
Real property taxes	\$43,070,275	\$43,570,275	\$ 43,836,243	\$ 265,968
Motor vehicle fees	2,350,000	2,350,000	2,232,805	(117,195)
Impact fees	1,320,000	1,900,000	2,150,204	250,204
Fees - Other	-	-	-	-
Grants and donations	2,347,015	2,347,015	172,908	(2,174,107)
Intergovernmental revenue	759,111	759,111	759,111	(0)
Rent income	11,394	11,394	11,394	-
Interest income	150,000	150,000	106,272	(43,728)
Other income	-	1,500	1,640	140
Total Revenues	<u>50,007,795</u>	<u>51,089,295</u>	<u>49,270,577</u>	<u>(1,818,718)</u>
EXPENDITURES				
Current				
Operations	48,626,793	48,981,409	47,199,292	1,782,117
General and administrative	654,073	655,573	626,376	29,197
Capital outlay	2,227,466	2,227,466	551,854	1,675,612
Debt service				
Principal	-	-	-	-
Interest	300,000	50,000	40,625	9,375
Debt issuance costs and fees	25,000	25,000	20,300	4,700
Total Expenditures	<u>51,833,332</u>	<u>51,939,448</u>	<u>48,438,447</u>	<u>3,501,001</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,825,537)	(850,153)	832,130	1,682,283
OTHER FINANCING SOURCES				
Loan payments from related party	121,417	121,417	-	(121,417)
Transfers in	<u>732,691</u>	<u>732,691</u>	<u>732,691</u>	<u>-</u>
Total other financing sources	<u>854,108</u>	<u>854,108</u>	<u>732,691</u>	<u>(121,417)</u>
Net change in fund balance	(971,429)	3,955	1,564,821	<u>\$ 1,560,866</u>
Fund balance at beginning of year	<u>14,343,812</u>	<u>14,343,812</u>	14,343,812	
Prior period adjustment			<u>1,721,358</u>	
Fund balance at end of year	<u>\$13,372,383</u>	<u>\$14,347,767</u>	<u>\$ 17,629,991</u>	

UNIFIED FIRE SERVICE AREA REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

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

BUDGETARY COMPARISON SCHEDULES

Year ended December 31, 2021

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	\$2,576,750	\$2,576,750	\$2,576,173	\$ (577)
Interest income	2,000	2,000	4,205	2,205
Total Revenues	<u>2,578,750</u>	<u>2,578,750</u>	<u>2,580,378</u>	<u>1,628</u>
EXPENDITURES				
Debt service				
Principal	1,600,000	1,600,000	1,600,000	-
Interest	976,750	1,580,461	1,580,460	1
Bond issuance cost and trustee fees	-	406,622	406,622	0
Total Expenditures	<u>2,576,750</u>	<u>3,587,083</u>	<u>3,587,082</u>	<u>1</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,000</u>	<u>(1,008,333)</u>	<u>(1,006,704)</u>	<u>1,629</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	2,212,330	2,212,329	(1)
Transfers out	-	(5,765)	(5,764)	1
Total other financing sources (uses)	<u>-</u>	<u>2,206,565</u>	<u>2,206,565</u>	<u>0</u>
Net change in fund balance	<u>2,000</u>	<u>1,198,232</u>	<u>1,199,861</u>	<u>\$ 1,629</u>
Fund balance at beginning of year	<u>210</u>	<u>210</u>	<u>210</u>	
Fund balance at end of year	<u>\$ 2,210</u>	<u>\$1,198,442</u>	<u>\$1,200,071</u>	

**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, 2021, and the related notes to the financial statements, which collectively comprise UFSA's basic financial statements, and have issued our report thereon dated June 9, 2022.

Report on 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*.

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.

KYC, CPA

Salt Lake City, Utah

June 9, 2022



CERTIFIED PUBLIC
ACCOUNTANTS

Gary K. Keddington, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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

Board of Trustees
Unified Fire Authority
Salt Lake City, Utah

Report On Compliance

We have audited Unified Fire Service Area's (UFSA) compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended December 31, 2021.

State compliance requirements were tested for the year ended December 31, 2021 in the following areas:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Government Fees
- Special and Local Service District Board Members
- Open and Public Meetings Act

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 UFSA'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 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of UFSA's compliance with those requirements.

Opinion on Compliance

In our opinion, Unified Fire Service Area complied, in all material respects, with the compliance requirements referred to above for the year ended December 31, 2021.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which is 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 item 2021-001 and 2021-002. Our opinion on compliance is not modified with respect to this matter.

UFSA's response to the noncompliance finding 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered UFSA'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 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 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.

We noted two matters involving internal control over compliance which we are submitting for your consideration. This matter is described in the accompanying *Schedule of Findings and Recommendations*.

UFSA's response to the internal control over the compliance finding 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

Salt Lake City, Utah
June 9, 2022

**UNIFIED FIRE SERVICE AREA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For The Year Ended December 31, 2021**

State Compliance Finding

2021-001: Open and Public Meetings Act Compliance

Condition: During our testing of state compliance, we noted that the selected 11/16/2021 meeting minutes were uploaded to the Utah Public Notice Website on 1/4/2022, which was 8 business days after they were approved on 12/21/2021.

Criteria: Per Utah Code 52-4-203(4)(g)(ii): “A public body that is not a state public or a specified local public body shall within three business days after approving written minutes of an open meeting, post and make available a copy of the approved minutes and any public materials distributed at the meeting...”

Cause: The entity did not upload the approved meeting minutes within the 3 business days required by Utah Code.

Recommendation: We recommend that UFSA management enact policies to help ensure that all applicable portions of the Open and Public Meetings Act are followed.

Management Response: The Clerk, who is normally responsible for this duty, was on vacation that week and the person who was filling in did not know how to post to the Public Notice Website, so it was taken care of as soon as the Clerk was back from vacation. We will review existing policies to determine if we need to make updates to make sure we’re complying with the deadlines in law. Additionally, we will plan to make sure that if the designated person is out of office, that we have someone trained to post on the Public Notice Website.

2021-002 Special and Local Service District Board Members

Condition: During our testing of state compliance, we noted that multiple board members had expired State Auditor training and had not renewed their training certificates despite multiple reminders from UFSA management.

Criteria: Per Utah Code 17B-1-312(1)(a): “Each member of a board of trustees of a local district shall, within one year after taking office, complete the training described in Subsection (2).”

Cause: Multiple UFSA board members did not complete their training renewals.

Recommendation: We recommend that UFSA management enact policies to help ensure that all members of the board complete their training in a timely fashion.

Management Response: Our Clerk currently tracks the board member trainings, and tracks each time we have made a request for Board Members to complete the training. We have had mixed success in getting Board members to respond timely with this request. In the future, the District Administrator will endeavor to assist the Clerk in following-up with Board Members to ensure they complete their training. We briefly discussed this finding with the Board at our May 17, 2022 meeting, and will discuss it again at the June 2022 meeting, when we present the completed audit to the Board. Lastly, we will review existing policies to determine if we need to make updates to make sure we’re complying with the deadlines in law.