

**TABLE OF CONTENTS**  
**For the Year Ended June 30, 2017**

|  | Page |
|--|------|
| INDEPENDENT AUDITORS' REPORT .....   | 2    |
| MANAGEMENT'S DISCUSSION AND ANALYSIS .....   | 4    |
| BASIC FINANCIAL STATEMENTS   |      |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS   |      |
| Statement of Net Position .....  | 12   |
| Statement of Activities.....   | 13   |
| GOVERNMENTAL FUND FINANCIAL STATEMENTS   |      |
| Balance Sheet – Governmental Funds .....   | 14   |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....  | 15   |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....  | 16   |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....   | 17   |
| PROPRIETARY FUND FINANCIAL STATEMENTS  |      |
| Statement of Net Position – Proprietary Fund.....  | 18   |
| Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund .....  | 19   |
| Statement of Cash Flows – Proprietary Fund .....   | 20   |
| NOTES TO BASIC FINANCIAL STATEMENTS  |      |
| Note 1 – Organization and Summary of Significant Accounting Policies .....   | 21   |
| Note 2 – Cash and Cash Equivalents .....   | 25   |
| Note 3 – Receivables .....   | 26   |
| Note 4 – Capital Assets.....   | 27   |
| Note 5 – Pension Plan .....  | 28   |
| Note 6 – Defined Contribution Savings Plan.....  | 32   |
| Note 7 – Other Post-Employment Benefits .....  | 32   |
| Note 8 – Compensated Absences .....  | 34   |
| Note 9 – Capital Leases.....   | 34   |
| Note 10 – Related Party Transactions .....   | 35   |
| Note 11 – Transactions Between Funds .....   | 37   |
| Note 12 – Commitments and Contingencies.....   | 37   |
| Note 13 – Subsequent Event .....   | 37   |
| REQUIRED SUPPLEMENTARY INFORMATION   |      |
| Budgetary Comparison Schedule – General Fund .....   | 38   |
| Budgetary Comparison Schedule – Special Revenue Fund.....  | 39   |
| Other Post-Employment Benefit Plan Schedules .....   | 40   |
| URS Pension – Schedule of the Proportionate Share of the Net Pension Liability.....  | 41   |
| URS Pension – Schedule of Contributions .....  | 42   |
| Notes to Required Supplementary Information.....   | 43   |
| SUPPLEMENTARY INFORMATION  |      |
| 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 ..... | 45   |
| Independent Auditors' Report in Accordance with the State Compliance Audit Guide on: Compliance for Each Major State Program, and Internal Control Over Compliance .....   | 47   |
| Schedule of Findings and Recommendations .....   | 49   |

# UNIFIED FIRE AUTHORITY

# ANNUAL FINANCIAL REPORT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

As management of Unified Fire Authority (UFA), we offer readers of UFA's financial statements this narrative overview and analysis of the financial activities of UFA for the fiscal year ended June 30, 2017. 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

UFA's *government-wide net position* (the amount by which assets and deferred outflows exceeded its liabilities and deferred inflows) as of June 30, 2017 was \$16,629,631. Net position increased \$4,364,537 in 2017 over the previous year's numbers (see table on page 6). Significant contributing factors to this increase were: excess revenues earned (\$1.2 million); a reduction in obligations for compensated absence and OPEB (\$1.1 million); and personnel cost savings due to vacancies, reduction of executive staff positions, as well as creative staffing methods.

UFA reported combined ending fund balance for governmental funds of \$14,056,408 as of June 30, 2017 (17% decrease compared to \$16,997,144 in 2016). The total *spendable fund balance* at June 30, 2017 was \$13,215,206, which represents 18% of total fund expenditures. Of the total spendable fund balance, \$9,165,915 is actually available for appropriation and spending (*unassigned fund balance*), \$1,202,907 is assigned for future purchases, \$2,118,229 is committed, and \$728,155 is restricted for capital acquisition. Unassigned fund balance includes \$3,367,457 (5% of fiscal year 2017 general fund revenues) required by the State of Utah to be retained as fund balance, leaving a balance of \$5,798,458 available for appropriation. Total unassigned fund balance in 2017 increased \$2,046,467 (30%) due to excess fee revenue (ambulance transports and other fees for services), effective management of expenses, as well as personnel cost savings (realized due to vacancies, reduction of executive positions, and creative staffing methods). Management believes the current unassigned fund balance to be a good indicator of UFA's positive financial position.

During the fiscal year ending June 30, 2017, UFA station crews responded to 8,182 fire-related calls and 22,006 medical calls, for a total of 30,188 calls (compared to 29,843 total calls in 2016). The average number of calls per station increased from 1,066 in 2016 to 1,078 in 2017, due to an increase in overall call volume.

The construction of a replacement station in Taylorsville was completed in February 2017. The station is fully functioning with 2 companies working out of the location.

UFA's more than 22,000 medical calls generated 11,194 billable ambulance transports, compared to 11,379 in 2016 (two percent decrease). Actual ambulance call volume during the year resulted in gross billings of \$17 million (one half percent decrease from \$17.1 million in 2016). Transport base rates are adjusted annually as allowed by the State of Utah (1.5% increase compared to prior year). Earned revenues, net of adjustments and allowances, decreased approximately two percent to \$7.7 million in the fiscal year ended June 30, 2017. As of year-end, net receivables related to ambulance service were over \$2.1 million.

UFA's Wildland Fund reported revenues of nearly \$2.3 million as of June 30, 2017 (1% decrease from 2016). Wildfire suppression crews worked in Utah, Idaho, Montana, Nevada, Oregon, Washington, Wyoming, Georgia, Florida, Arizona, New Mexico, Colorado, and California, during the 2017 season. As a result of revenues that exceeded expectation, the program improved its net position by \$110,710.

Effective January 2017, the UFA Board expanded by six members due to the incorporation of Millcreek City and the creation of Metro Townships, providing representation for Copperton, Emigration Canyon, Kearns, Magna, and White City.

UFA underwent a leadership change during the fiscal year with the hiring of a new Fire Chief in January 2017, following the resignation of its former Chief. In August 2016, the UFA Board ordered an audit by an outside auditing firm to investigate compliance by the former Chief and Deputy Chief with UFA's policies and procedures. The Utah State Auditor's Office (USAO) also began its own audit. Final results of both audits were made public in January 2017. For more information regarding these audits, please see the "Audit Findings and Recommendations" section on page 11.

In August 2016, Draper City announced its desire to withdraw from UFA and form its own fire department in July 2017. For more details on Draper's withdrawal, see the "Economic Factors and Next Year's Budget" section beginning on page 11.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to UFA's basic financial statements. UFA'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 UFA's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of UFA's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of UFA 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 UFA 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*. Using resources of 400 field firefighter allocations and operating from 28 stations, UFA provides these governmental activities: fire suppression, fire prevention, training, EMS support, hazmat services, arson/bomb investigations, and emergency management conducted primarily within the UFA service area. The business-type activity of UFA is wildfire suppression that is conducted largely outside UFA's service area on a contract basis with other governmental agencies.

**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. UFA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. UFA uses both governmental funds and a proprietary fund.

*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*.

UFA maintains three major governmental funds: the General fund, the Special Revenue fund, and the Fire Capital Projects fund. UFA also maintains the Emergency Services Capital Projects fund, a non-major governmental 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.

*Proprietary funds* (also referred to as "enterprise funds") provide the same type of information as the government-wide financial statements, only in more detail. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. UFA currently operates a single enterprise fund for wildland fire suppression services.

**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 (RSI):** UFA adopts an annual appropriated budget for its funds. Budgetary comparison statements (pages 38-39) have been provided for the general and special revenue funds to demonstrate compliance with the budget. RSI also includes required schedules for other post-employment benefits as well as pension plans (pages 40-42).

# UNIFIED FIRE AUTHORITY

# ANNUAL FINANCIAL REPORT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### FINANCIAL ANALYSIS OF UFA AS A WHOLE

#### Net Position

As noted earlier, net position may serve over time as a useful measurement to assist with understanding the financial position of UFA. As of June 30, 2017, assets and deferred outflows exceeded liabilities and deferred inflows by \$16,629,631 (an increase of \$4,364,537 over 2016).

Current assets decreased approximately 14% during the fiscal year ended June 30, 2017. Cash decreased \$4.2 million primarily due to usage of funds in escrow (\$6,274,106 net decrease to restricted cash) offset by a net increase in unrestricted cash as a result of excess revenues collected and efficient management of expenses. Other current assets increased (receivables \$823,501 and inventory \$88,147). The increase in receivables is due to a large wildfire incident in Southern Utah in late June 2017 as well as higher ambulance receivables. Ambulance receivable increases were caused by higher collection rates, leading to a drop in the allowance for uncollectibles, combined with delays in collections attributable to billing difficulties near year end. UFA has resolved the issues leading to the delay and, along with its billing company, has taken measures to prevent similar delays from recurring in the future.

Other assets decreased \$31,961 in 2017, resulting from \$15,152 payment received on a related party note receivable and \$16,809 drop in net pension asset reported as part of UFA's implementation of GASB 68. For more information on GASB 68, see Note 5, beginning on page 28.

Capital assets, net of depreciation, increased \$2,113,785 (9%) compared to 2016 because capital additions (\$5,010,590) exceeded depreciation expense (\$2,835,197) and loss on disposals (\$61,610) during fiscal year 2017. For more information on UFA's capital assets, see note 4 on page 27.

As a result of the implementation of GASB 68, UFA recognizes deferred outflows and inflows of resources related to pensions. Deferred outflows of resources increased from 2016 to 2017 by \$2,173,952. Deferred inflows of resources related to pensions increased \$2,271,084 as of June 30, 2017.

Current liabilities at June 30, 2017, decreased \$1,231,216 (23%) compared to balances at June 30, 2016. Total accounts payable decreased \$1,716,899 (129%) at June 30, 2017. Restricted accounts payable decreased \$1,187,911 due to a change in the nature of lease acquisitions (apparatus in 2016 versus equipment in 2017). Unrestricted accounts payable decreased \$528,988, primarily due to a change in year-end purchasing practices in 2017. Accrued liabilities increased \$485,683 (19%) primarily due to retiree payouts exceeding \$275,000 as well as the timing of pay cycles in relation to year end.

### Summary of Statement of Net Position For the Fiscal Years Ended June 30,

|  | Governmental<br>Activities |               | Business-Type<br>Activities |            | Total Primary<br>Government |               | Total \$<br>Change | Total %<br>Change |
|--|----------------------------|---------------|-----------------------------|------------|-----------------------------|---------------|--------------------|-------------------|
|  | 2017                       | 2016          | 2017                        | 2016       | 2017                        | 2016          |                    |                   |
| <b>Assets</b>                                      |                            |               |                             |            |                             |               |                    |                   |
| Current and other assets                           | \$ 19,003,937              | \$ 22,544,614 | \$ 728,686                  | \$ 499,950 | \$ 19,732,623               | \$ 23,044,564 | \$ (3,311,941)     | -14%              |
| Capital assets                                     | 24,735,479                 | 22,508,649    | 535,606                     | 648,651    | 25,271,085                  | 23,157,300    | 2,113,785          | 9%                |
| Total Assets                                       | 43,739,416                 | 45,053,263    | 1,264,292                   | 1,148,601  | 45,003,708                  | 46,201,864    | (1,198,156)        | -3%               |
| <b>Deferred Outflows of Resources</b>              | 16,573,689                 | 14,399,737    | -                           | -          | 16,573,689                  | 14,399,737    | 2,173,952          | 15%               |
| <b>Liabilities</b>                                 |                            |               |                             |            |                             |               |                    |                   |
| Current and other liabilities                      | 3,767,760                  | 5,085,371     | 250,776                     | 164,381    | 4,018,536                   | 5,249,752     | (1,231,216)        | -23%              |
| Long-term liabilities                              | 29,704,672                 | 34,051,866    | 432,417                     | 513,832    | 30,137,089                  | 34,565,698    | (4,428,609)        | -13%              |
| Total Liabilities                                  | 33,472,432                 | 39,137,237    | 683,193                     | 678,213    | 34,155,625                  | 39,815,450    | (5,659,825)        | -14%              |
| <b>Deferred Inflows of Resources</b>               | 10,792,141                 | 8,521,057     | -                           | -          | 10,792,141                  | 8,521,057     | 2,271,084          | 27%               |
| <b>Net Position</b>                                |                            |               |                             |            |                             |               |                    |                   |
| Invested in capital assets,<br>net of related debt | 14,754,041                 | 14,218,045    | 103,188                     | 134,820    | 14,857,229                  | 14,352,865    | 504,364            | 4%                |
| Restricted   | 841,202                    | 722,348       | -                           | -          | 841,202                     | 722,348       | 118,854            | 16%               |
| Unrestricted                                       | 453,289                    | (3,145,688)   | 477,911                     | 335,569    | 931,200                     | (2,810,119)   | 3,741,319          | 133%              |
| Total Net Position                                 | \$ 16,048,532              | \$ 11,794,705 | \$ 581,099                  | \$ 470,389 | \$ 16,629,631               | \$ 12,265,094 | \$ 4,364,537       | 36%               |

# UNIFIED FIRE AUTHORITY

# ANNUAL FINANCIAL REPORT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### FINANCIAL ANALYSIS OF UFA AS A WHOLE (CONTINUED)

Long-term liabilities decreased from 2016 to 2017 by nearly \$4.5 million (13%). UFA made principal payments of \$2,835,626 on capital leases and UFA's related party note payable. Compensated absence, OPEB, and net pension liability obligations decreased from 2016 to 2017 by \$492,616 (10%), \$590,503 (14%), and \$509,864 (7%), respectively. See Notes 5, 7, 8, and 9 for more information regarding pension plans, other post-employment benefits, compensated absences, and capital leases, respectively.

UFA's net investment in capital assets is \$14,857,229, or 89% of total net position. Net investment in capital assets increased \$504,364 (4%) in 2017 due mainly to capital acquisitions purchased and debt payments during the year, offset by depreciation. Although UFA'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 increased slightly to \$841,202 (16%) from 2016 to 2017. The increase resulted primarily from an increase in inventory. Restricted amounts are related to supplies and equipment inventory (\$796,227) held at UFA's warehouse and funds paid to vendors prior to receipt of good and/or services (\$44,975).

Unrestricted net position may be used to meet UFA's ongoing financial obligations to citizens and creditors. As of June 30, 2017, unrestricted net position was \$931,200 (\$3.7 million increase compared to 2016). The increase is mainly due to the following:

- Recognition of nonemployer contributions to the pension plan in accordance with GASB 68 of approximately \$2.4 million
- Actual revenues exceeded estimates by more than \$1.2 million (ambulance transport fees, other fees and reimbursements, as well as investment income)
- Cost savings in personnel expenses of more than \$1,800,000 resulting from vacancies and creative staffing methods
- Decrease in total compensated absences and OPEB liabilities of nearly \$500,000 and \$600,000, respectively
- Net pension benefit expense of approximately \$2 million recognized in accordance with GASB 68
- Purchases of station equipment using restricted capital lease proceeds that did not meet the capitalization threshold having an aggregate cost of more than \$640,000
- Loss on disposal of a construction project for Wildland of nearly \$120,000

### Summary of Changes in Net Position For the Fiscal Years Ended June 30,

|                              | Governmental<br>Activities |                      | Business-Type<br>Activities |                   | Total Primary<br>Government |                      | Total %<br>Change |
|------------------------------|----------------------------|----------------------|-----------------------------|-------------------|-----------------------------|----------------------|-------------------|
|                              | 2017                       | 2016                 | 2017                        | 2016              | 2017                        | 2016                 |                   |
| <b>Program revenues</b>      |                            |                      |                             |                   |                             |                      |                   |
| Charges for services         | \$ 69,087,244              | \$ 66,929,511        | \$ 2,265,173                | \$ 2,292,261      | \$ 71,352,417               | \$ 69,221,772        | 3%                |
| Grants and contributions     | 232,188                    | 287,185              | 1,145                       | -                 | 233,333                     | 287,185              | -19%              |
| <b>General revenues</b>      |                            |                      |                             |                   |                             |                      |                   |
| Unrestricted net             |                            |                      |                             |                   |                             |                      |                   |
| investment earnings          | 111,574                    | 74,583               | 935                         | -                 | 112,509                     | 74,583               | 51%               |
| Other                        | 2,662,908                  | 4,149,697            | (116,683)                   | -                 | 2,546,225                   | 4,149,697            | -39%              |
| Member contributions         | 485,818                    | 591,375              | -                           | -                 | 485,818                     | 591,375              | -18%              |
| Total revenues               | <u>72,579,732</u>          | <u>72,032,351</u>    | <u>2,150,570</u>            | <u>2,292,261</u>  | <u>74,730,302</u>           | <u>74,324,612</u>    | 1%                |
| <b>Program expenses</b>      |                            |                      |                             |                   |                             |                      |                   |
| Fire protection services     | 66,247,479                 | 67,734,962           | -                           | -                 | 66,247,479                  | 67,734,962           | -2%               |
| Emergency services           | 1,797,608                  | 1,670,337            | -                           | -                 | 1,797,608                   | 1,670,337            | 8%                |
| Wildfire protection services | -                          | -                    | 2,051,702                   | 1,969,868         | 2,051,702                   | 1,969,868            | 4%                |
| Interest on long-term debt   | 347,574                    | 311,522              | 9,550                       | -                 | 357,124                     | 311,522              | 15%               |
| Total expenses               | <u>68,392,661</u>          | <u>69,716,821</u>    | <u>2,061,252</u>            | <u>1,969,868</u>  | <u>70,453,913</u>           | <u>71,686,689</u>    | -2%               |
| Excess (deficiency)          |                            |                      |                             |                   |                             |                      |                   |
| before transfers             | 4,187,071                  | 2,315,530            | 89,318                      | 322,393           | 4,276,389                   | 2,637,923            | 62%               |
| Transfers                    | (21,391)                   | -                    | 21,391                      | -                 | -                           | -                    | 100%              |
| Change in net assets         | 4,165,680                  | 2,315,530            | 110,709                     | 322,393           | 4,276,389                   | 2,637,923            | 62%               |
| Net position - beginning     | 11,794,707                 | 9,426,910            | 475,621                     | 153,228           | 12,270,328                  | 9,580,138            | 28%               |
| Increase in inventory        | 88,146                     | 52,267               | -                           | -                 | 88,146                      | 52,267               | 69%               |
| Net position - ending        | <u>\$ 16,048,533</u>       | <u>\$ 11,794,707</u> | <u>\$ 586,330</u>           | <u>\$ 475,621</u> | <u>\$ 16,634,863</u>        | <u>\$ 12,270,328</u> | 36%               |

# UNIFIED FIRE AUTHORITY

# ANNUAL FINANCIAL REPORT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### FINANCIAL ANALYSIS OF UFA AS A WHOLE (CONTINUED)

General revenues include all revenues that do not qualify as program revenues, such as investment earnings, gain/loss on sale of capital assets, capital contributions, and other miscellaneous revenues. General revenues decreased \$1,675,103 (35%) compared to the previous fiscal year, mainly due to decreased nonemployee contributions recognized in connection with GASB 68 reporting (\$1.4 million) and a loss on disposal of a Wildland construction project (\$116,683).

Program revenues consist of grants and contributions as well as charges for services. Total combined program revenue in 2017 rose three percent over 2016, exceeding \$69 million. Growth in charges for services totaling \$2,130,645 was offset by decreases in grant revenues of \$53,852.

Charges for services include amounts received from those who purchase, use or directly benefit from or are affected by a program. Charges for services increased primarily from government contracts and growth in UFA's service area resulting in higher member fees (\$1.4 million), emergency services fees (\$127,000), and elevated ambulance service fees (\$620,000).

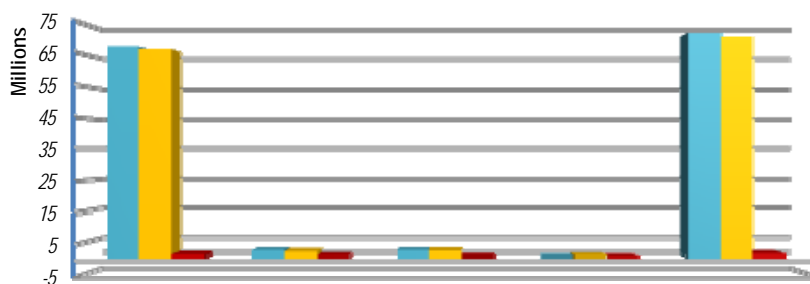
Net ambulance service revenue increased \$622,638 (8%) in 2017 primarily due to improved collection rates. Ambulance service revenues are the second largest source of revenue for UFA (12% of total combined charges for services in 2017) and continue to provide a significant contribution to UFA's budget, reducing the per firefighter cost. The adjacent table shows ambulance activity for the past five years.

|           | Transports |          | Collections |          |
|-----------|------------|----------|-------------|----------|
|           | Annual #   | % Change | Annual \$   | % Change |
| 6/30/2017 | 11,194     | -2%      | \$8,398,626 | 8%       |
| 6/30/2016 | 11,379     | 2%       | \$7,775,988 | 12%      |
| 6/30/2015 | 11,186     | 1%       | \$6,959,006 | 3%       |
| 6/30/2014 | 11,102     | -6%      | \$6,733,208 | -1%      |
| 6/30/2013 | 11,815     | 5%       | \$6,790,913 | 2%       |

Program expenses lowered \$1,238,010 (2%) compared to the prior year, due the net effect of the following:

- Over \$1 million rise in benefit costs in relation to GASB 68 reporting requirements for pensions
- Compensated absence and OPEB obligations decreased in 2017 by nearly \$1.1 million and \$600,000, respectively
- Net personnel cost increases totaling more than \$2.1 million due to merit raises and rising benefit rates, offset by staffing vacancies
- Interest expense increased approximately \$40,000 related to capital lease obligations
- Net increase of \$260,000 in fixed operating costs (building and equipment maintenance, liability insurance, dispatch services)
- Payment to State Forestry of almost \$149,000 for wildfire protection services provided in prior years
- Approximately \$3.2 million less spent in 2017 on noncapital equipment purchases using capital lease proceeds, offset by a \$262,000 increase in equipment purchases using unrestricted funds
- Decrease in travel and food costs of nearly \$190,000

Program Expense and Revenue - Governmental Activities  
For the Fiscal Year Ended June 30, 2017



|                         | Fire protection services | Emergency services | Wildfire protection services | Interest on long-term debt | Total governmental |
|-------------------------|--------------------------|--------------------|------------------------------|----------------------------|--------------------|
| ■ Revenues              | \$67,084,459             | \$2,234,973        | \$2,266,318                  | \$-                        | \$71,585,750       |
| ■ Expenses              | \$66,247,479             | \$1,797,608        | \$2,051,702                  | \$357,124                  | \$70,453,913       |
| ■ Net Revenue (Expense) | \$836,980                | \$437,365          | \$214,616                    | \$(357,124)                | \$1,131,837        |

The table to the left graphically depicts expenses by function with related program revenues and net revenue/(expense) for governmental activities discussed previously.

The fire protection services program resulted in net revenue of more than \$830,000. The chief reasons that revenues exceeded expenses were:

- Depreciation expense of nearly \$2.7 million
- Personnel cost savings of more than \$1.8 million due to vacancies, reduction of executive positions, and creative staffing methods
- Reduction in OPEB and compensated absences obligations of approximately \$400,000 and \$450,000, respectively
- Actual ambulance transport fees exceeded estimates by over \$900,000

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### FINANCIAL ANALYSIS OF UFA'S FUNDS

As of June 30, 2017, the aggregate fund balance of UFA's governmental funds was \$14,056,408, a 17% decrease from fiscal year 2016. The decrease is primarily due to the usage of capital lease proceeds from 2016 held in escrow to purchase equipment totaling nearly \$5.1 million, offset by effective management of expenditures and personnel cost savings through vacancies and creative staffing.

Approximately 65% of the aggregate fund balance, or \$9,165,915, is unassigned and is available for appropriation by the UFA Board. Unassigned fund balance includes \$3,367,457 required by the State of Utah to be retained as fund balance (5% of fiscal year 2017 general fund revenues), leaving a balance of \$5,798,458 available for appropriation. Unassigned fund balance at June 30, 2017, increased \$2,046,467 (30%) over prior year. This increase was due largely to efficient management of expenses, including utilization of creative staffing methods, as well as ambulance transport and other fee revenues exceeding expectations.

The remaining fund balance is not available for new spending because it has already been obligated:

- Assigned (encumbrances of \$339,396 and special revenue fund balance of \$863,511)
- Committed (compensated absences of \$857,169, retirement contributions of \$103,220, and capital acquisitions of \$1,157,840)
- Restricted for capital acquisitions of \$728,155
- Nonspendable (inventory of \$796,227 and prepaid of \$44,975).

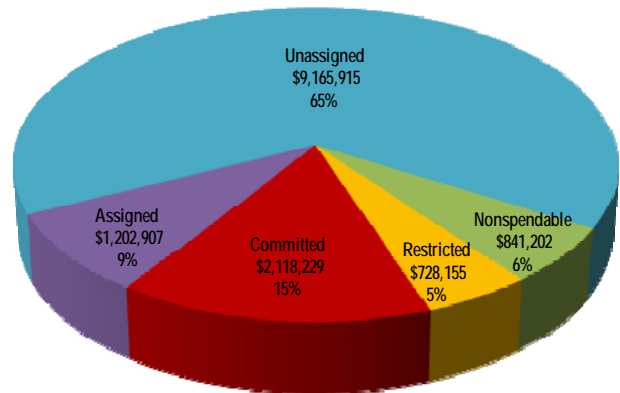
**Business-Type Funds:** As of June 30, 2017, UFA's business-type fund net position increased \$110,710 (24%) over 2017. The Wildland program plans to utilize some of these excess funds for expenses associated with starting up the 2018 wildfire season, implementation of leadership training, and reserving funds for vehicle replacement.

### GENERAL FUND BUDGETARY HIGHLIGHTS

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

- \$126,046 increase in intergovernmental revenues received from State Forestry, both for reimbursement of 2015 wildfire costs as well as an officer position filled by UFA staff through December 2016
- \$126,000 increase in wildland reimbursements paid by State Forestry to cover Camp Williams crew participation in wildfire protection
- \$1,477,614 appropriation of restricted fund balance to make equipment purchases with remaining capital lease proceeds from 2016
- \$381,399 appropriation of fund balance to fund retirement payouts approved by the Board in an effort to reduce staffing in preparation for Draper's departure from UFA
- Net reallocation of \$676,000 of capital outlay to operating expenditures for purchases that did not meet UFA's capitalization threshold
- Reallocation of \$150,000 of debt service to capital outlay for implementation of new payroll software
- Reallocation of \$61,920 for Camp Williams personnel costs from operations and debt service available for spending

Fund Balances - Governmental Funds  
At June 30, 2017



# UNIFIED FIRE AUTHORITY

# ANNUAL FINANCIAL REPORT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Significant variations in actual results compared to final budget, all positive in 2017, can be summarized as follows:

- Ambulance revenues exceeded budget by over \$230,000 due primarily to higher transport base rates set by the State of Utah.
- Other fees paid to UFA surpassed budget by almost \$160,000 as a result of growth in medical training and prevention fee programs as well as reimbursements from State Forestry for wildland support.
- Other income exceeded budget by over \$140,000 largely due to a dividend from UFA's liability insurance program, revenue share from UFA's purchasing card program, and miscellaneous reimbursements not expected.
- Staffing vacancies, reduction of four executive officers, as well as utilization of creative staffing methods in response to budget constraints resulted in actual salaries and benefits expenditures more than \$1.8 million below budget.
- Management worked to control administrative expenditures which resulted in net cost savings of more than \$180,000.
- Operating costs savings of nearly \$550,000 resulted primarily from delay of building maintenance due to vacancies in Facilities management, fuel costs falling below estimated rates, and efficient management of operational needs.
- Due to postponement of equipment acquisitions related to its new capital lease issuance, UFA's capital outlay budget exceeded its actual purchases by more the \$360,000. Funds not used during 2017 are budgeted for expenditure in the fiscal year ending in 2018.

For detailed budgetary comparison schedules, see the Required Supplementary Information section, beginning on page 38.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets:** UFA's investment in capital assets at June 30, 2017, was \$25,271,084 (net of \$39,582,393 depreciation). Capital assets increased more than \$2.1 million (9%) over the prior fiscal year.

#### Capital Assets, Net of Depreciation As of June 30,

|                               | Governmental Activities |                      | Business-Type Activities |                   | Total                |                      | Total %<br>Change |
|-------------------------------|-------------------------|----------------------|--------------------------|-------------------|----------------------|----------------------|-------------------|
|                               | 2017                    | 2016                 | 2017                     | 2016              | 2017                 | 2016                 |                   |
| Building and improvements     | \$ 2,737,085            | \$ 2,838,504         | \$ -                     | \$ -              | \$ 2,737,085         | \$ 2,838,504         | -4%               |
| Computer software & equipment | 246,895                 | 369,695              | -                        | -                 | 246,895              | 369,695              | -33%              |
| Construction in progress      | 9,082,202               | 8,356,206            | -                        | 52,484            | 9,082,202            | 8,408,690            | 8%                |
| Furniture & equipment         | 3,104,656               | 1,552,583            | -                        | -                 | 3,104,656            | 1,552,583            | 100%              |
| Land & improvements           | 586,836                 | 603,708              | -                        | -                 | 586,836              | 603,708              | -3%               |
| Transportation equipment      | 8,977,805               | 8,787,953            | 535,605                  | 596,168           | 9,513,410            | 9,384,121            | 1%                |
|                               | <u>\$ 24,735,479</u>    | <u>\$ 22,508,649</u> | <u>\$ 535,605</u>        | <u>\$ 648,652</u> | <u>\$ 25,271,084</u> | <u>\$ 23,157,301</u> | 9%                |

Major capital assets for Governmental activities put in service during the year ended June 30, 2017 included:

- Deposits made toward purchase of medium and heavy apparatus totaling \$1,154,321 (\$1,039,344 new and \$114,977 refurbished)
- Medium and heavy apparatus additions: new equipment of \$1,283,262 and refurbishment of existing equipment of \$879,196
- Light fleet vehicles and trailers purchased with a total cost of \$79,262
- Computer equipment and software totaling \$312,641 (\$52,653 put in service and \$259,988 in progress)
- Communications equipment put in service with an aggregate cost of \$1,264,628 (net of \$641,958 of prior year deposits)

For more information on capital assets and depreciation, see Note 4, on page 27.

**Long-term Debt:** During the year, UFA made principal and interest payments on long-term debt totaling \$3,259,534. For more information on UFA's long-term debt, see Notes 9 and 10 beginning on page 34.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of UFA's finances for all those with an interest in UFA's finances. 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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

### AUDIT FINDINGS AND RECOMMENDATIONS

The UFA Board ordered an audit by an outside auditing firm to investigate compliance by the former Chief and Deputy Chief with UFA's policies and procedures. This audit resulted in 11 findings, 10 of which have been resolved through agreement and policy updates.

In August 2016, simultaneously with the authorization of the audit by UFA's Board, the Utah State Auditor's office (USAO) began an audit to investigate allegations of improper compensation to key personnel, including the former Chief and Deputy Chief, as well as potential misuse of public funds. Final results of the audits were made public in January 2017. The USAO audit contained 51 findings, which resulted in 126 recommendations (100 of which have been resolved). Many of the remaining recommendations not resolved are related to pending litigation.

UFA's Board and Administration has worked to address the majority of the findings through management changes as well as policy revisions. UFA continues to work to resolve the findings and provide requested information to the State Attorney General for its investigation resulting from USAO findings.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

UFA's economic condition remains strong. UFA is the largest fire department in the State of Utah. The entities that make up UFA have widely developed and diverse economic sectors that continue to show solid growth in taxable sales, construction activity, and household income with a low unemployment rate. As of June 30, 2017, UFA had 28 operating stations. Effective July 1, 2017, UFA reduced its number of operating stations by two, closed for administrative use. UFA has 502 full-time employees and an average of 150 part-time and seasonal employees.

A complete updated strategic plan will be adopted in December 2017. UFA has adopted six goal statements as part of its strategic plan:

- Establish best practices that ensure UFA is operating effectively and efficiently to both minimize the risks in the community and provide value for our member agencies
- Establish a realistic long-range capital plan to maintain and replace UFA fleet, facilities, and equipment
- Ensure that UFA staff continue to value the importance of being nice, competent, and professional when engaging with the community
- Ensure UFA is providing meaningful communication and interaction with stakeholders to establish partnerships in the reduction of risk and to provide increased opportunities for them to engage in discussions on service delivery
- Ensure personnel are provided a clear picture of what exceptional looks like for their current position and identifies professional growth opportunities to prepare for future positions in the UFA
- Value human capital and ensure the well-being of our personnel.

The construction of a replacement station in Taylorsville was completed in February 2017. The station is fully functioning with 2 companies working out of the location.

The budget for fiscal year 2017-2018 has been approved and includes an average increase of 3% to each of the entities' member fee. In December 2015, UFA entered into a seven year lease agreement to purchase apparatus, SCBA's, and communication equipment. These purchases will be used to replace aging apparatus and equipment. UFA expects to complete purchasing with lease proceeds in fiscal year 2017-2018. UFA's Finance Committee, Benefits and Compensation Committee, Local 1696 of the International Association of Firefighters and UFA Administration, are continually working on the long-term plan for wages and benefits of UFA employees. This plan will impact budget outcomes in the future. Wages and benefits comprise approximately 80% of the overall general fund budget.

UFA Administration is working closely with its members to develop budgets appropriate to the current economic times. As UFA costs rise, it becomes necessary to assess members' fees. Some members may have limited abilities to meet these rising costs or lack of political will to raise tax revenue to cover such costs. In such situations, it will be necessary to find other ways to meet ongoing costs or reduce programs and service to meet expected levels of revenue. UFA Administration will make appropriate recommendations for cost reductions and revenue enhancements, consistent with the fluctuations and financial pressures on our member entities.

Draper City withdrew as a member of UFA on June 30, 2017. This withdrawal resulted in a revenue loss of around \$4.7 million as well as the transfer of operations for three stations and a reduction of 27 full-time field operations employees. In addition to the reduction in full-time operations positions, UFA management flattened administration by eliminating four executive and three support positions. Further operational and administrative cost savings totaling over \$1.5 million were captured during UFA's budget process.

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF NET POSITION

June 30, 2017

|  | Primary Government         |                             |                      |
|--|----------------------------|-----------------------------|----------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total<br>2017        |
| <b>ASSETS</b>                                      |                            |                             |                      |
| Cash and cash equivalents                          | \$ 14,738,951              | \$ 309,966                  | \$ 15,048,917        |
| Restricted cash and cash equivalents               | 827,388                    | -                           | 827,388              |
| Receivables  | 2,560,205                  | 418,720                     | 2,978,925            |
| Inventory  | 796,227                    | -                           | 796,227              |
| Prepaid expense                                    | 44,975                     | -                           | 44,975               |
| Note receivable                                    | 15,848                     | -                           | 15,848               |
| Capital assets, net of depreciation                | 24,735,479                 | 535,606                     | 25,271,085           |
| Net pension asset                                  | 20,343                     | -                           | 20,343               |
| <b>TOTAL ASSETS</b>                                | <b>43,739,416</b>          | <b>1,264,292</b>            | <b>45,003,708</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>              |                            |                             |                      |
| Deferred outflows of resources related to pensions | 16,573,689                 | -                           | 16,573,689           |
| <b>LIABILITIES</b>                                 |                            |                             |                      |
| Accounts payable                                   | 874,328                    | 25,197                      | 899,525              |
| Restricted accounts payable                        | 99,233                     | -                           | 99,233               |
| Accrued liabilities                                | 2,794,199                  | 225,579                     | 3,019,778            |
| Unearned revenue                                   | -                          | -                           | -                    |
| Noncurrent liabilities                             |                            |                             |                      |
| Due within one year                                | 4,428,383                  | 83,059                      | 4,511,442            |
| Due in more than one year                          | 18,936,394                 | 349,358                     | 19,285,752           |
| Net pension liability                              | 6,339,895                  | -                           | 6,339,895            |
| <b>TOTAL LIABILITIES</b>                           | <b>33,472,432</b>          | <b>683,193</b>              | <b>34,155,625</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>               |                            |                             |                      |
| Deferred inflows of resources related to pensions  | 10,792,141                 | -                           | 10,792,141           |
| <b>NET POSITION</b>                                |                            |                             |                      |
| Net investment in capital assets                   | 14,754,041                 | 103,188                     | 14,857,229           |
| Restricted for inventory                           | 796,227                    | -                           | 796,227              |
| Restricted for prepaid expense                     | 44,975                     | -                           | 44,975               |
| Unrestricted                                       | 453,289                    | 477,911                     | 931,200              |
| <b>TOTAL NET POSITION</b>                          | <b>\$ 16,048,532</b>       | <b>\$ 581,099</b>           | <b>\$ 16,629,631</b> |

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

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF ACTIVITIES

Year ended June 30, 2017

| Functions/Programs              | Expenses                    | PROGRAM REVENUES            |  |  | Net<br>(Expense)<br>Revenue |
|---------------------------------|-----------------------------|-----------------------------|--|--|-----------------------------|
|                                 |                             | Charges for<br>Services     | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                             |
| <b>PRIMARY GOVERNMENT:</b>      |                             |                             |  |  |                             |
| GOVERNMENTAL ACTIVITIES:        |                             |                             |  |  |                             |
| Fire protection services        | \$ 66,247,479               | \$ 67,027,936               | \$ 56,523                                | \$ -                                   | \$ 836,980                  |
| Emergency services              | 1,797,608                   | 2,059,308                   | 171,088                                  | 4,577                                  | 437,365                     |
| Interest on long-term debt      | 347,574                     | -                           | -  | -                                      | (347,574)                   |
| Total governmental activities   | <u>68,392,661</u>           | <u>69,087,244</u>           | <u>227,611</u>                           | <u>4,577</u>                           | <u>926,771</u>              |
| BUSINESS-TYPE ACTIVITIES:       |                             |                             |  |  |                             |
| Wildland services               | 2,051,702                   | 2,265,173                   | 1,145                                    | -                                      | 214,616                     |
| Interest on long-term debt      | 9,550                       | -                           | -  | -                                      | (9,550)                     |
| Total business-type activities  | <u>2,061,252</u>            | <u>2,265,173</u>            | <u>1,145</u>                             | <u>-</u>                               | <u>205,066</u>              |
| <b>TOTAL PRIMARY GOVERNMENT</b> | <u><b>\$ 70,453,913</b></u> | <u><b>\$ 71,352,417</b></u> | <u><b>\$ 228,756</b></u>                 | <u><b>\$ 4,577</b></u>                 | <u><b>\$ 1,131,837</b></u>  |

|   | PRIMARY GOVERNMENT          |                             |                             |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | Governmental<br>Activities  | Business-Type<br>Activities | Total<br>2017               |
| Changes in net assets:                    |                             |                             |                             |
| Net (expense) revenue                     | \$ 926,771                  | \$ 205,066                  | \$ 1,131,837                |
| General Revenues:                         |                             |                             |                             |
| Unrestricted net investment earnings      | 111,574                     | 935                         | 112,509                     |
| Miscellaneous                             | 2,623,423                   | -                           | 2,623,423                   |
| Rent                                      | 94,896                      | -                           | 94,896                      |
| Gain/(loss) on disposal of capital assets | (55,411)                    | (116,683)                   | (172,094)                   |
| Member contributions                      | 485,818                     | -                           | 485,818                     |
| Transfers                                 | (21,391)                    | 21,391                      | -                           |
| Total general revenues                    | <u>3,238,909</u>            | <u>(94,357)</u>             | <u>3,144,552</u>            |
| Changes in net position                   | 4,165,680                   | 110,709                     | 4,276,389                   |
| Net position - beginning                  | 11,794,706                  | 470,390                     | 12,265,096                  |
| Increase in inventory                     | 88,146                      | -                           | 88,146                      |
| Net position - ending                     | <u><b>\$ 16,048,532</b></u> | <u><b>\$ 581,099</b></u>    | <u><b>\$ 16,629,631</b></u> |

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

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2017

|   | MAJOR FUNDS          |                            |                                  |                                  | Total<br>2017        |
|---|----------------------|----------------------------|----------------------------------|----------------------------------|----------------------|
|   | General<br>Fund      | Special<br>Revenue<br>Fund | Fire Capital<br>Projects<br>Fund | Nonmajor<br>Governmental<br>Fund |                      |
| <b>CURRENT ASSETS</b>   |                      |                            |                                  |                                  |                      |
| Cash and cash equivalents   | \$ 12,683,053        | \$ 898,058                 | \$ 1,110,291                     | \$ 47,549                        | \$ 14,738,951        |
| Restricted cash and cash equivalents                              | 827,388              | -                          | -                                | -                                | 827,388              |
| Receivables   | 2,357,102            | 56,906                     | -                                | -                                | 2,414,008            |
| Related party receivables   | 146,197              | -                          | -                                | -                                | 146,197              |
| Inventory   | 796,227              | -                          | -                                | -                                | 796,227              |
| Prepaid expense   | 42,571               | 2,404                      | -                                | -                                | 44,975               |
| Due from other funds  | -                    | 15,419                     | -                                | -                                | 15,419               |
| Related party note receivable                                     | 15,848               | -                          | -                                | -                                | 15,848               |
| <b>TOTAL ASSETS</b>   | <b>16,868,386</b>    | <b>972,787</b>             | <b>1,110,291</b>                 | <b>47,549</b>                    | <b>18,999,013</b>    |
| <b>CURRENT LIABILITIES</b>  |                      |                            |                                  |                                  |                      |
| Accounts payable  | 818,259              | 39,512                     | -                                | -                                | 857,771              |
| Restricted accounts payable                                       | 99,233               | -                          | -                                | -                                | 99,233               |
| Related party payable   | 7,895                | 8,662                      | -                                | -                                | 16,557               |
| Accrued liabilities   | 2,616,962            | 37,609                     | -                                | -                                | 2,654,571            |
| Due to other funds  | 15,419               | -                          | -                                | -                                | 15,419               |
| <b>TOTAL LIABILITIES</b>  | <b>3,557,768</b>     | <b>85,783</b>              | <b>-</b>                         | <b>-</b>                         | <b>3,643,551</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                      |                            |                                  |                                  |                      |
| Unavailable revenue - ambulance                                   | 1,299,054            | -                          | -                                | -                                | 1,299,054            |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS</b>                 | <b>4,856,822</b>     | <b>85,783</b>              | <b>-</b>                         | <b>-</b>                         | <b>4,942,605</b>     |
| <b>FUND BALANCES</b>  |                      |                            |                                  |                                  |                      |
| Nonspendable:   |                      |                            |                                  |                                  |                      |
| Inventory   | 796,227              | -                          | -                                | -                                | 796,227              |
| Prepaid expense   | 42,571               | 2,404                      | -                                | -                                | 44,975               |
| Spendable:  |                      |                            |                                  |                                  |                      |
| Restricted for capital acquisition                                | 728,155              | -                          | -                                | -                                | 728,155              |
| Committed for:  |                      |                            |                                  |                                  |                      |
| Compensated absences  | 857,169              | -                          | -                                | -                                | 857,169              |
| Retirement contributions  | 82,131               | 21,089                     | -                                | -                                | 103,220              |
| Capital acquisitions  | -                    | -                          | 1,110,291                        | 47,549                           | 1,157,840            |
| Assigned  | 339,396              | 863,511                    | -                                | -                                | 1,202,907            |
| Unassigned - 5% State requirement                                 | 3,367,457            | -                          | -                                | -                                | 3,367,457            |
| Unassigned  | 5,798,458            | -                          | -                                | -                                | 5,798,458            |
| <b>TOTAL FUND BALANCES</b>  | <b>12,011,564</b>    | <b>887,004</b>             | <b>1,110,291</b>                 | <b>47,549</b>                    | <b>14,056,408</b>    |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS, AND FUND BALANCES</b> | <b>\$ 16,868,386</b> | <b>\$ 972,787</b>          | <b>\$ 1,110,291</b>              | <b>\$ 47,549</b>                 | <b>\$ 18,999,013</b> |

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

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION Year ended June 30, 2017

Total Fund Balances - Governmental Funds \$ 14,056,408

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

Capital assets in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet. Capital assets consist of the following:

|                            |                     |            |
|----------------------------|---------------------|------------|
| Equipment and improvements | 64,122,840          |            |
| Accumulated depreciation   | <u>(39,387,360)</u> | 24,735,480 |

Some ambulance 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. 1,299,054

Pension obligations, including the net pension asset, net pension liability, and deferred inflows and outflows of resources relating to pensions, are not obligations of the current period and, therefore, are not recorded in the fund.

|   |                     |           |
|---|---------------------|-----------|
| Net pension asset                                   | 20,343              |           |
| Deferred outflows of resources relating to pensions | 16,573,689          |           |
| Net pension liability                               | (6,339,895)         |           |
| Deferred inflows of resources relating to pensions  | <u>(10,792,141)</u> | (538,004) |

Some liabilities are not due and payable in the current year and therefore are not reported in the governmental funds balance sheet. These liabilities consist of the following:

|                                    |                    |              |
|------------------------------------|--------------------|--------------|
| Accrued interest on capital leases | (139,629)          |              |
| Capital leases                     | (13,018,524)       |              |
| Related party note payable         | (2,110,089)        |              |
| Compensated absences               | (4,496,706)        |              |
| Net OPEB obligation                | <u>(3,739,458)</u> | (23,504,406) |

Net Position of Governmental Activities \$ 16,048,532

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

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year ended June 30, 2017

|  | MAJOR FUNDS          |                            |                                  |                                  | Total<br>2017        |
|--|----------------------|----------------------------|----------------------------------|----------------------------------|----------------------|
|  | General<br>Fund      | Special<br>Revenue<br>Fund | Fire Capital<br>Projects<br>Fund | Nonmajor<br>Governmental<br>Fund |                      |
| <b>REVENUES</b>  |                      |                            |                                  |                                  |                      |
| Member fees  | \$ 54,574,534        | \$ -                       | \$ -                             | \$ -                             | \$ 54,574,534        |
| Ambulance operations   | 7,730,102            | -                          | -                                | -                                | 7,730,102            |
| Fees - Emergency services  | -                    | 2,038,989                  | -                                | -                                | 2,038,989            |
| Fees - Other   | 3,586,703            | -                          | -                                | -                                | 3,586,703            |
| Grants and contributions   | 56,523               | 175,665                    | -                                | -                                | 232,188              |
| Intergovernmental revenues   | 485,818              | -                          | -                                | -                                | 485,818              |
| Reimbursements   | 468,073              | 20,320                     | -                                | -                                | 488,393              |
| Rent income  | 94,896               | -                          | -                                | -                                | 94,896               |
| Investment income  | 99,138               | 309                        | 12,127                           | -                                | 111,574              |
| Other income   | 150,853              | 71,057                     | -                                | -                                | 221,910              |
| <b>TOTAL REVENUES</b>  | <b>67,246,640</b>    | <b>2,306,340</b>           | <b>12,127</b>                    | <b>-</b>                         | <b>69,565,107</b>    |
| <b>EXPENDITURES</b>  |                      |                            |                                  |                                  |                      |
| Current  |                      |                            |                                  |                                  |                      |
| Salaries and benefits  | 52,496,579           | 1,103,342                  | -                                | -                                | 53,599,921           |
| Operations   | 9,408,090            | 611,005                    | -                                | -                                | 10,019,095           |
| General and administrative   | 710,270              | 18,696                     | -                                | -                                | 728,966              |
| Capital outlay   | 5,020,954            | 101,780                    | -                                | 36,642                           | 5,159,376            |
| Debt service   | 3,167,740            | -                          | -                                | -                                | 3,167,740            |
| <b>TOTAL EXPENDITURES</b>  | <b>70,803,633</b>    | <b>1,834,823</b>           | <b>-</b>                         | <b>36,642</b>                    | <b>72,675,098</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>(3,556,993)</b>   | <b>471,517</b>             | <b>12,127</b>                    | <b>(36,642)</b>                  | <b>(3,109,991)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                      |                            |                                  |                                  |                      |
| Proceeds from issuance of long-term debt                             | -                    | -                          | -                                | -                                | -                    |
| Proceeds from sale of assets   | 102,500              | -                          | -                                | -                                | 102,500              |
| Transfers in   | 100,000              | -                          | -                                | 40,000                           | 140,000              |
| Transfers out  | (21,391)             | (140,000)                  | -                                | -                                | (161,391)            |
| <b>Total other financing sources (uses)</b>                          | <b>181,109</b>       | <b>(140,000)</b>           | <b>-</b>                         | <b>40,000</b>                    | <b>81,109</b>        |
| Net change in fund balances  | (3,375,884)          | 331,517                    | 12,127                           | 3,358                            | (3,028,882)          |
| Fund balances - beginning  | 15,299,302           | 555,487                    | 1,098,164                        | 44,191                           | 16,997,144           |
| Increase in inventory  | 88,146               | -                          | -                                | -                                | 88,146               |
| <b>Fund balances - ending</b>  | <b>\$ 12,011,564</b> | <b>\$ 887,004</b>          | <b>\$ 1,110,291</b>              | <b>\$ 47,549</b>                 | <b>\$ 14,056,408</b> |

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

# UNIFIED FIRE AUTHORITY

# 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 June 30, 2017

|   |                    |                     |
|---|--------------------|---------------------|
| Net Change in Fund Balances - Total Governmental funds  |                    | \$ (3,028,882)      |
| 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:       |                    |                     |
| Capital outlay  | 5,159,376          |                     |
| Depreciation expense  | <u>(2,774,634)</u> | 2,226,831           |
| Net ambulance revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.  |                    | 668,524             |
| Pension liabilities do not require current financial resources and therefore are not recorded in governmental funds.  |                    | 395,923             |
| The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes current financial resources to governmental funds. Neither transaction, however, has any net effect on net assets. |                    |                     |
| Accrued interest on long-term debt  | 65,953             |                     |
| Repayment of long-term debt   | <u>2,754,212</u>   | 2,820,165           |
| 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 the funds. These activities consist of the following:   |                    |                     |
| Decrease in OPEB liabilities  | 590,503            |                     |
| Decrease in compensated absences  | <u>492,616</u>     | <u>1,083,119</u>    |
| Changes in Net Position of Governmental Activities  |                    | <u>\$ 4,165,680</u> |

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

**UNIFIED FIRE AUTHORITY****BASIC FINANCIAL STATEMENTS****STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2017**

|                                     | <u>Wildland<br/>Enterprise<br/>Fund</u> |
|-------------------------------------|---|
| ASSETS                              |   |
| CURRENT ASSETS                      |   |
| Cash and cash equivalents           | \$ 309,966                              |
| Receivables                         | 418,720                                 |
| Current assets                      | <u>728,686</u>                          |
| NONCURRENT ASSETS                   |   |
| Capital assets, net of depreciation | <u>535,606</u>                          |
| TOTAL ASSETS                        | <u>\$ 1,264,292</u>                     |
| LIABILITIES                         |   |
| CURRENT LIABILITIES                 |   |
| Accounts payable                    | \$ 25,197                               |
| Accrued liabilities                 | 225,579                                 |
| NONCURRENT LIABILITIES              |   |
| Due within one year                 | 83,059                                  |
| Due in more than one year           | 349,358                                 |
| TOTAL LIABILITIES                   | <u>683,193</u>                          |
| NET POSITION                        |   |
| Net investment in capital assets    | 103,188                                 |
| Unrestricted                        | <u>477,911</u>                          |
| TOTAL NET POSITION                  | <u>\$ 581,099</u>                       |

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



# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND June 30, 2017

|   | Wildland<br>Enterprise<br>Fund |
|---|--------------------------------|
|   | <u>                    </u>    |
| OPERATING REVENUES                        |                                |
| Wildland fees                             | \$ 2,265,173                   |
| OPERATING EXPENSES                        |                                |
| Salaries and benefits                     | 1,739,833                      |
| Operations                                | 246,974                        |
| General and administrative                | 4,331                          |
| Depreciation and amortization             | 60,563                         |
|   | <u>2,051,701</u>               |
| TOTAL OPERATING EXPENSES                  |                                |
|   | <u>2,051,701</u>               |
| INCOME FROM OPERATIONS                    | <u>213,472</u>                 |
| NONOPERATING REVENUE (EXPENSE)            |                                |
| Donations                                 | 1,145                          |
| Loss on disposal of capital assets        | (116,683)                      |
| Interest income                           | 935                            |
| Interest on long-term debt                | (9,550)                        |
| Income before contributions and transfers | <u>89,319</u>                  |
| Transfers in                              | <u>21,391</u>                  |
| CHANGE IN NET POSITION                    | 110,710                        |
| NET POSITION - BEGINNING                  | <u>470,389</u>                 |
| NET POSITION - ENDING                     | <u><u>\$ 581,099</u></u>       |

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**June 30, 2017**

|   | <u>Wildland Enterprise Fund</u> |
|---|---------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                 |
| Cash received from customers  | \$ 2,063,200                    |
| Payments to vendors   | (247,538)                       |
| Payments for general and administrative expenses                                    | (4,331)                         |
| Payments to employees   | (1,474,287)                     |
| Employee benefits paid  | (178,587)                       |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                    | <b>158,457</b>                  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                              |                                 |
| Cash received from donors   | 1,145                           |
| Transfers from other fund   | 21,391                          |
| <b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>                         | <b>22,536</b>                   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                     |                                 |
| Loss on disposal of capital projects  | (64,199)                        |
| Principal paid on long-term debt  | (81,415)                        |
| Interest paid on long-term debt   | (9,550)                         |
| <b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>                    | <b>(155,164)</b>                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                 |
| Interest received   | 935                             |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                                    | <b>26,764</b>                   |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING</b>  | <b>283,202</b>                  |
| <b>CASH AND CASH EQUIVALENTS - ENDING</b>   | <b>\$ 309,966</b>               |
| <b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:</b> |                                 |
| Operating income  | \$ 213,472                      |
| Adjustments to reconcile operating loss to net cash used by operating activities:   |                                 |
| Depreciation and amortization   | 60,563                          |
| (Increase) decrease in assets:  |                                 |
| Accounts receivable   | (201,973)                       |
| Increase (decrease) in liabilities:   |                                 |
| Accounts payable  | (564)                           |
| Accrued expenses  | 86,959                          |
| <b>Net cash provided by operating activities</b>                                    | <b>\$ 158,457</b>               |

**NONCASH ACTIVITY**

Depreciation for the year ended June 30, 2017, was \$60,563.

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

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

## NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Unified Fire Authority (UFA) was formed July 1, 2004. The political subdivision was organized under an interlocal agreement to provide fire and emergency protection services to its members' jurisdictions. UFA is a separate legal entity, with a twelve member board of elected officials, eight of which represent the Unified Fire Service Area and four of which represent member municipalities. Board members serve for a specified term and cannot be removed without cause. However, as the members are unable to impose their will and are not financially accountable for UFA, UFA is not reported as a component unit of the members. As of June 30, 2017, UFA members included Unified Fire Service Area (Eagle Mountain, Herriman, Midvale, Riverton, Taylorsville, Copperton Township, Emigration Canyon Township, Kearns Township, Magna Township, White City Township, and unincorporated areas of Salt Lake County); the cities of Cottonwood Heights, Draper, Holladay, and Millcreek; and the Town of Alta.

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 UFA. 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 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. UFA 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 90 days of the end of the current fiscal period. UFA considers ambulance revenues to be available if collected within 60 days of the end of the current fiscal period. Grants associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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 and liabilities is reported as fund balance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charges to customers for services. Operating expenses for enterprise funds include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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

UFA has presented the following major governmental funds:

- General Fund – the general fund is the main operating fund of UFA, 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 this Fund.
- Fire Capital Projects Fund – this fund is a capital projects fund used to account for funds received and expended for light fleet vehicle replacement for the fire protection divisions of Unified Fire Authority.
- Special Revenue Fund – the special revenue fund is used to account for funds received and expended for the operation of the Emergency Operations function for Salt Lake County.

UFA's nonmajor governmental fund is a capital projects fund used to account for financial resources to be used for light fleet vehicle replacement for the Emergency Operations divisions of UFA.

UFA also reports the following major proprietary fund:

- Enterprise Fund – this fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered similarly through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. UFA currently operates an enterprise fund for wildland firefighting services that are contracted to other governmental agencies.

Cash and Cash Equivalents

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

Investments

Investments of the Agency are stated at cost, which approximates fair value in accordance with GASB No. 72 *Fair Value Measurement and Application*.

Accounts Receivable

Accounts receivable are generally comprised of reimbursement for member fees, ambulance services, Urban Search and Rescue (USAR), and Wildland operations, which are expected to be paid by private and government entities. Accounts receivable are stated at the amount management expects to collect from outstanding balances. UFA calculates its allowance for doubtful accounts based on historical collection rates.

Inventory

Inventory consists principally of items for use within fire stations and ambulances, including: cleaning, kitchen, and medical supplies; motor vehicle parts and supplies; personal protective equipment; and small tools. Inventory is valued at cost using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets, which include building, improvements, land, and various types of equipment, are reported in the government-wide financial statements as well as the proprietary fund financial statements. Capital assets are defined by UFA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased assets are recorded at historical cost. Donated assets are recorded at fair market value at the date of gift.

Major additions are capitalized while maintenance and repairs, which do not improve or extend the life of the respected assets, are charged to expense. No depreciation is recognized on construction in progress until the asset is placed in service. UFA does not possess any infrastructure. UFA uses certain vehicles and station facilities which are owned by its members and are not reflected in capital assets.

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

|                           |              |
|---------------------------|--------------|
| Equipment and furniture   | 3 – 20 years |
| Building and improvements | 5 – 39 years |

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund statements.

Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave up to 960 hours. Accumulated sick leave exceeding 960 hours at the end of each calendar year is paid to employees, at a rate approved by the UFA Board (60% for 2017). Accumulated sick leave is paid to employees upon retirement, at a rate of 25% of the total accumulated leave. UFA's Board authorized a one-time rate increase to 75% for sick pay (not to exceed \$20,000) for employees wishing to retire as of June 30, 2017. Employees that are terminated for any reasons other than retirement are not paid for accumulated sick leave. The liability for accumulated sick pay amounts is not accrued until an employee becomes eligible for retirement.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

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.

Non-exchange transactions, in which UFA receives value without directly giving value in return, include grant 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 UFA must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to UFA on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

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 compensated absences and 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.

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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

Risk Management

Unified Fire Authority 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. UFA also carries commercial workers' compensation insurance. There were no significant reductions in coverage from the prior year, and settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Net Position/Fund Balances

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

- Net investment in capital assets – This component of net position consists of UFA'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 net investment in capital assets.
- Restricted for inventory – This component of net position consists of net position related to inventory on hand.
- Restricted for prepaid expense – This component of net position consists of net position related to funds paid to vendors prior to receipt of goods and/or services.
- Unrestricted – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets". Utah code 10-6-116(4) requires that entities maintain 5% of total general fund revenues as a minimum fund balance. As of June 30, 2017, UFA was required to maintain \$3,367,457 (5% of fiscal year 2017 General fund revenues).

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 UFA 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 or Finance Committee. When an expenditure is incurred for purposes for which restricted, committed, assigned and unassigned resources are available, UFA generally uses restricted resources first, followed by committed and assigned resources, before unassigned resources are used.

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, 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.

Reclassifications

Certain reclassifications have been made to the 2016 comparative totals in order to conform to the June 30, 2017 financial statement presentation.

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

### NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30, 2017:

|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| Unrestricted cash - net of outstanding checks | \$ 2,081,805               | \$ -                        | \$ 2,081,805         |
| Public Treasurer's Investment Fund            | 12,657,146                 | 309,966                     | 12,967,112           |
| Restricted cash and cash equivalents          | 827,388                    | -                           | 827,388              |
| Total cash and cash equivalents               | <u>\$ 15,566,339</u>       | <u>\$ 309,966</u>           | <u>\$ 15,876,305</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.

UFA follows the requirements of the Utah Money Management Act in handling its depository and investment transactions. The Act requires depositing of UFA'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. UFA's deposits are insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation. Deposits above \$250,000 are exposed to credit risk. As of June 30, 2017, UFA's deposits had a bank balance of \$2,467,608, of which \$250,000 is insured and \$2,217,608 is uninsured and uncollateralized. Utah State Law does not require deposits to be insured or collateralized. UFA does not have a formal policy for custodial credit risk.

#### Investments

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

These statutes authorize UFA 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 which 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.

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 <http://treasurer.utah.gov/investor-information/comprehensive-annual-financial-report-cafr/>.

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

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 June 30, 2017, UFA had \$12,967,112 invested in PTIF which had a fair value of \$13,028,307. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The fair value of the PTIF investments is measured using Level 2 inputs as noted below.

*Fair Value of Investments*

The agency measures its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered value hierarchy as follows:

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

*Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. UFA 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. UFA'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 UFA's investment portfolio will remain sufficiently liquid to enable UFA 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, UFA will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. UFA's policy for limiting the credit risk of investments is to comply with the Money Management Act, as previously discussed. All of UFA's investments at June 30, 2017, 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. UFA'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 - RECEIVABLES

Accounts receivable as of June 30, 2017, consist of the following:

|                                      | General<br>Fund         | Special<br>Revenue<br>Fund | Total<br>Governmental<br>Activities | Wildland<br>Enterprise<br>Fund |
|--------------------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| Accounts receivable                  |                         |                            |                                     |                                |
| Due from other governments           | \$ 129,512              | \$ -                       | \$ 129,512                          | \$ 418,720                     |
| Ambulance services                   | 4,465,140               | -                          | 4,465,140                           | -                              |
| Accrued revenues                     | 12,720                  | -                          | 12,720                              | -                              |
| Related party receivable             | 146,197                 | -                          | 146,197                             | -                              |
| Miscellaneous                        | 19,748                  | -                          | 19,748                              | -                              |
| Total accounts receivable            | 4,773,317               | -                          | 4,773,317                           | 418,720                        |
| Grants receivable                    | 26,903                  | 56,906                     | 83,809                              | -                              |
| Allowance for uncollectible accounts | (2,296,921)             | -                          | (2,296,921)                         | -                              |
| <br>Total Receivables                | <br><u>\$ 2,503,299</u> | <br><u>\$ 56,906</u>       | <br><u>\$ 2,560,205</u>             | <br><u>\$ 418,720</u>          |



# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2017 are as follows:

|   | July 1,<br>2016      | Additions/<br>Transfers In | Disposals/<br>Transfers Out | June 30,<br>2017     |
|---|----------------------|----------------------------|-----------------------------|----------------------|
| <b>Governmental activities:</b>             |                      |                            |                             |                      |
| Capital assets not being depreciated:       |                      |                            |                             |                      |
| Construction in progress                    | \$ 8,356,206         | \$ 2,682,048               | \$ (1,956,052)              | \$ 9,082,202         |
| Land  | 416,277              | -                          | -                           | 416,277              |
| Total capital assets not being depreciated  | <u>8,772,483</u>     | <u>2,682,048</u>           | <u>(1,956,052)</u>          | <u>9,498,479</u>     |
| Capital assets being depreciated:           |                      |                            |                             |                      |
| Building and improvements                   | 3,382,506            | -                          | -                           | 3,382,506            |
| Computer software and equipment             | 2,470,596            | -                          | (145,706)                   | 2,324,890            |
| Furniture and equipment                     | 4,688,611            | 2,042,874                  | (166,731)                   | 6,564,754            |
| Land improvements                           | 294,250              | -                          | -                           | 294,250              |
| Transportation equipment                    | 40,735,532           | 2,241,720                  | (919,290)                   | 42,057,962           |
| Total capital assets being depreciated      | <u>51,571,495</u>    | <u>4,284,594</u>           | <u>(1,231,727)</u>          | <u>54,624,362</u>    |
| Less accumulated depreciation for:          |                      |                            |                             |                      |
| Building and improvements                   | (544,002)            | (101,419)                  | -                           | (645,421)            |
| Computer software and equipment             | (2,100,901)          | (113,674)                  | 136,580                     | (2,077,995)          |
| Furniture and equipment                     | (3,136,028)          | (490,801)                  | 166,731                     | (3,460,098)          |
| Land improvements                           | (106,819)            | (16,872)                   | -                           | (123,691)            |
| Transportation equipment                    | (31,947,579)         | (2,051,868)                | 919,290                     | (33,080,157)         |
| Total accumulated depreciation              | <u>(37,835,329)</u>  | <u>(2,774,634)</u>         | <u>1,222,601</u>            | <u>(39,387,362)</u>  |
| Total capital assets being depreciated, net | <u>13,736,166</u>    | <u>1,509,960</u>           | <u>(9,126)</u>              | <u>15,237,000</u>    |
| Total capital assets, net                   | <u>\$ 22,508,649</u> | <u>\$ 4,192,008</u>        | <u>\$ (1,965,178)</u>       | <u>\$ 24,735,479</u> |
| <b>Business-Type activities:</b>            |                      |                            |                             |                      |
| Capital assets not being depreciated:       |                      |                            |                             |                      |
| Construction in progress                    | \$ 52,484            | \$ -                       | \$ (52,484)                 | \$ -                 |
| Capital assets being depreciated:           |                      |                            |                             |                      |
| Computer software and equipment             | 6,694                | -                          | -                           | 6,694                |
| Furniture and equipment                     | 17,000               | -                          | -                           | 17,000               |
| Transportation equipment                    | 706,942              | -                          | -                           | 706,942              |
| Total assets being depreciated              | <u>730,636</u>       | <u>-</u>                   | <u>-</u>                    | <u>730,636</u>       |
| Less accumulated depreciation for:          |                      |                            |                             |                      |
| Computer software and equipment             | (6,694)              | -                          | -                           | (6,694)              |
| Furniture and equipment                     | (17,000)             | -                          | -                           | (17,000)             |
| Transportation equipment                    | (110,774)            | (60,563)                   | -                           | (171,337)            |
| Total accumulated depreciation              | <u>(134,468)</u>     | <u>(60,563)</u>            | <u>-</u>                    | <u>(195,031)</u>     |
| Total capital assets, net                   | <u>\$ 648,652</u>    | <u>\$ (60,563)</u>         | <u>\$ (52,484)</u>          | <u>\$ 535,605</u>    |

Depreciation and amortization charged for the year ended June 30, 2017:

|                          | Governmental<br>Activities | Business-Type<br>Activities |
|--------------------------|----------------------------|-----------------------------|
| Fire protection services | \$ 2,669,398               | \$ -                        |
| Emergency services       | 105,236                    | -                           |
| Midland services         | -                          | 60,563                      |
|                          | <u>\$ 2,774,634</u>        | <u>\$ 60,563</u>            |

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems (the Systems). The Systems are comprised of the following pension trust funds:

- Multiple-employer cost-sharing public employee retirement systems:
  - Public Employees Noncontributory Retirement System (Noncontributory System)
  - Firefighters Retirement System (Firefighters System)
  - Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System)
  - Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System)
- Mixed agent cost-sharing multiple-employer public employee retirement system:
  - Public Safety Retirement System (Public Safety System)

The Tier 2 Public Employees System became effective July 1, 2011. Beginning on or after July 1, 2011, all eligible employees who have no previous service credit with any of the Utah Retirement Systems are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

Benefits Provided

URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

| System                                      | Final Average Salary | Year of service required and/or age eligible for benefit  | Benefit % per year of service                                | COLA **                                    |
|---|----------------------|---|--|--|
| Noncontributory System                      | Highest 3 years      | 30 years any age<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2.0% per year all years                                      | Up to 4%                                   |
| Public Safety System                        | Highest 3 years      | 20 years any age<br>10 years age 60<br>4 years age 65   | 2.5% per year up to 20 years;<br>2.0% per year over 20 years | Up to 2.5% to 4% depending on the employer |
| Firefighters System                         | Highest 3 years      | 20 years any age<br>10 years age 60<br>4 years age 65   | 2.5% per year up to 20 years;<br>2.0% per year over 20 years | Up to 4%                                   |
| Tier 2 Public Employees System              | Highest 5 years      | 35 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.5% per year all years                                      | Up to 2.5%                                 |
| Tier 2 Public Safety and Firefighter System | Highest 5 years      | 25 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.5% per year all years                                      | Up to 2.5%                                 |

\* With actuarial reductions

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2017, are as follows:

|   | Employee Paid | Paid by<br>Employer for<br>Employee | Employer<br>Contribution<br>Rates | Employer Rate<br>for 401(k) Plan |
|---|---------------|-------------------------------------|-----------------------------------|----------------------------------|
| Contributory System                     |               |                                     |                                   |                                  |
| Local Governmental Division Tier 2      | N/A           | N/A                                 | 14.91%                            | 1.78%                            |
| Noncontributory System                  |               |                                     |                                   |                                  |
| Local Governmental Division Tier 1      | N/A           | N/A                                 | 18.47%                            | N/A                              |
| Public Safety Retirement System         |               |                                     |                                   |                                  |
| Other Division A Noncontributory Tier 1 | N/A           | N/A                                 | 35.71%                            | N/A                              |
| Firefighters System                     |               |                                     |                                   |                                  |
| Division B Tier 1                       | N/A           | 16.71%                              | 6.66%                             | N/A                              |
| Tier 2 DB Hybrid Firefighters           | N/A           | N/A                                 | 10.75%                            | 1.33%                            |
| Tier 2 DC Only                          |               |                                     |                                   |                                  |
| Local Government                        | N/A           | N/A                                 | 6.69%                             | 10.00%                           |
| Firefighters                            | N/A           | N/A                                 | 0.08%                             | 12.00%                           |

\* Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of Tier 1 plans.

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 System. For the fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

|  | Employer<br>Contributions | Employee<br>Contributions |
|--|---------------------------|---------------------------|
| Noncontributory System                         | \$ 419,022                | N/A                       |
| Public Safety System                           | 51,795                    | -                         |
| Firefighters System                            | 1,728,540                 | -                         |
| Tier 2 Public Employees System                 | 60,984                    | -                         |
| Tier 2 Public Safety & Firefighter System      | 245,430                   | -                         |
| Tier 2 DC Only System                          | 13,566                    | N/A                       |
| Tier 2 DC Public Safety and Firefighter System | 222                       | N/A                       |
|  | <u>\$ 2,519,559</u>       | <u>\$ -</u>               |

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, we reported a net pension asset of \$20,344 and a net pension liability of \$6,339,894.

|   | 12/31/2016 Measurement Date |                          |                        | Proportionate<br>Share<br>12/31/2015 | Change<br>(Decrease) |
|---|-----------------------------|--------------------------|------------------------|--------------------------------------|----------------------|
|   | Net Pension<br>Asset        | Net Pension<br>Liability | Proportionate<br>Share |                                      |                      |
| Noncontributory System                    | \$ -                        | \$ 1,690,136             | 0.2632109%             | 0.2662765%                           | -0.0030656%          |
| Public Safety System                      | -                           | 196,958                  | 0.0970583%             | 0.0939590%                           | 0.0030993%           |
| Firefighters System                       | -                           | 4,447,122                | 30.0649010%            | 30.4112930%                          | -0.3463920%          |
| Tier 2 Public Employees System            | -                           | 5,678                    | 0.0508973%             | 0.0629059%                           | -0.0120086%          |
| Tier 2 Public Safety & Firefighter System | 20,344                      | -                        | 2.3436040%             | 2.5334847%                           | -0.1898807%          |
| Total Net Pension Asset/Liability         | <u>\$ 20,344</u>            | <u>\$ 6,339,894</u>      |                        |                                      |                      |

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, we recognized pension expense of \$2,123,341.

At June 30, 2017, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 51,743                            | \$ 5,196,770                        |
| Changes in assumptions  | 5,522,430                            | 2,798,000                           |
| Net difference between projected and actual earnings on pension plan investments                    | 9,644,922                            | 2,767,056                           |
| Change in proportion and differences between contributions and proportionate share of contributions | 97,243                               | 30,315                              |
| Contributions subsequent to the measurement date  | 1,257,350                            | -                                   |
|   | <u>\$ 16,573,688</u>                 | <u>\$ 10,792,141</u>                |

Deferred outflows of resources related to pensions (\$1,257,350) results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>December 31, | Deferred<br>Outflows/<br>(Inflows) of<br>Resources |
|----------------------------|--|
| 2017                       | \$ 1,733,614                                       |
| 2018                       | 1,739,725  |
| 2019                       | 1,604,031  |
| 2020                       | (1,238,129)  |
| 2021                       | 649,441  |
| Thereafter                 | 35,517   |

Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.6%  |
| Salary                    | 3.35 – 10.35%, average, including inflation                       |
| Investment rate of return | 7.2%, net of pension plan investment expense, including inflation |

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class               | Target Asset<br>Allocation         | Real Return         | Long-term                                    |
|---------------------------|------------------------------------|---------------------|--|
|                           |                                    | Arithmetic<br>Basis | expected<br>portfolio real<br>rate of return |
| Equity securities         | 40 %                               | 7.06 %              | 2.82 %                                       |
| Debt securities           | 20 %                               | 0.80 %              | 0.16 %                                       |
| Real assets               | 13 %                               | 5.10 %              | 0.66 %                                       |
| Private equity            | 9 %                                | 11.30 %             | 1.02 %                                       |
| Absolute return           | 18 %                               | 3.15 %              | 0.57 %                                       |
| Cash and cash equivalents | - %                                | - %                 | - %  |
| Totals                    | 100 %                              |                     | 5.23 %                                       |
|                           | Inflation                          |                     | 2.60 %                                       |
|                           | Expected arithmetic nominal return |                     | 7.83 %                                       |

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.6%, a real return of 4.6% that is net of investment expense.

Discount rate

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

|                                       | 1% Decrease<br>(6.2%) | Discount Rate<br>(7.2%) | 1% Increase<br>(8.2%) |
|---------------------------------------|-----------------------|-------------------------|-----------------------|
| Noncontributory System                | \$ 3,500,845          | \$ 1,690,136            | \$ 179,199            |
| Public Safety System                  | 409,628               | 196,958                 | 24,086                |
| Firefighters System                   | 42,444,856            | 4,447,122               | (26,896,670)          |
| Tier 2 Public Employees System        | 38,645                | 5,678                   | (19,403)              |
| Tier 2 Public Safety and Firefighters | 142,332               | (20,344)                | (145,356)             |
| Total                                 | \$ 46,536,306         | \$ 6,319,550            | \$ (26,858,144)       |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available separately in the separately issued URS financial report.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

**NOTE 6 - DEFINED CONTRIBUTION SAVINGS PLAN**

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b), and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately-issued URS financial report.

UFA participates in the following Defined Contribution Savings Plans with URS: 401(k), 457(b), Roth IRA, and Traditional IRA plans. Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans were as follows for the fiscal years ended June 30:

|  | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|
| Employer contributions - 401(k)          | \$ 303,922  | \$ 312,039  | \$ 295,958  |
| Employee contributions - 401(k)          | 383,631     | 346,507     | 380,597     |
| Employer contributions - 457             | -           | -           | -           |
| Employee contributions - 457             | 1,582,449   | 1,472,577   | 1,366,446   |
| Employer contributions - Roth IRA        | N/A         | N/A         | N/A         |
| Employee contributions - Roth IRA        | 194,109     | 174,795     | 133,037     |
| Employee contributions - Traditional IRA | 150         | -           | -           |

**NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS**

Effective July 1, 2008, UFA implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*. GASB Statement 45 establishes standards for the accrual basis measurement and recognition of OPEB expense over a period of that approximates employees' years of service. In addition, this Statement provides information about actuarial accrued liabilities associated with OPEB plans and to what extent progress is being made in funding the plans. This Statement was implemented prospectively, with no beginning net OPEB obligation.

Plan Description

Unified Fire Authority provides post-employment health and dental benefits, through a single employer defined benefit plan, to employees who retire from UFA and qualify to retire from the Utah Retirement Systems. The plan is not accounted for as a trust fund. Premiums are shared by the retiring eligible employee and UFA. The benefits, employee and UFA contributions are governed by UFA policy and can be amended at any time.

Plan Dissolution

Effective November 20, 2012, the Board approved the dissolution of the Unified Fire Authority Retiree Healthcare Plan. The resolution adopted eliminates the Post-Retirement Insurance Premium for anyone retiring after December 31, 2013. In addition, no member retiring after June 15, 2012 is eligible for a subsidized Medicare Supplement. This plan change eliminated a large portion of the active member liabilities for post-retirement healthcare.

Funding Policy

As of June 30, 2017, UFA paid up to 80% of the retiree's health care and dental premiums through SelectHealth and Public Employees Health Program, respectively, on a pay-as-you-go basis. The remainder is paid by the retiree. During the year ending June 30, 2017, UFA paid retiree health care and dental premiums of \$173,025.

Annual OPEB Cost and Net OPEB Obligation

In accordance with the requirements of GASB Statement 45, the valuation of these benefits is determined by actuarial calculations of UFA's Annual Required Contributions (ARC). The ARC consists of the cost of benefits accruing in a year plus an amount calculated to amortize any unfunded actuarial accrued liability over a period of not more than 30 years. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point. The Net OPEB Obligation (NOO) is the cumulative difference between annual OPEB costs and annual UFA contributions.

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The following table shows the components of UFA's annual OPEB cost for the fiscal year ended June 30, 2017, and changes in UFA's net OPEB obligation:

|   |                     |
|---|---------------------|
| Annual required contribution  | \$ 329,778          |
| Contributions made  | <u>(173,025)</u>    |
| Increase in net OPEB obligation                                     | 156,753             |
| Adjustment to OPEB obligation due to changes in actuarial estimates | <u>(747,256)</u>    |
| Net OPEB obligation - beginning of year                             | 4,329,961           |
| Net OPEB obligation - end of year                                   | <u>\$ 3,739,458</u> |

The ARC, as determined by the June 30, 2016 actuarial valuation, is \$329,778. The ARC consists of two components, normal cost and amortization of Unfunded Actuarial Accrued Liability (UAAL). Normal cost is the annual cost assigned, under the actuarial funding method, to current and subsequent plan years, sometimes referred to as "current service cost." Any payment toward the unfunded actuarial accrued liability is not part of the normal cost. The difference between the actuarial accrued liability and the valuation assets is the UAAL. Due to the dissolution of the plan in 2012, UFA has no normal cost component. The amortization of UAAL is \$329,778. UFA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2015, 2016, and 2017 are as follows:

|      | Annual<br>OPEB cost | Employer<br>Contributions | Adjustment for<br>Changes to<br>Plan Provisions | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|------|---------------------|---------------------------|---|--|------------------------|
| 2015 | 348,982             | 180,272                   | (212,209)                                       | 52%  | 4,329,961              |
| 2016 | 348,982             | 128,217                   | (220,765)                                       | 37%  | 4,329,961              |
| 2017 | 329,778             | 173,025                   | (747,256)                                       | 52%  | 3,739,458              |

Funded Status and Funding Progress

The funded status as of June 30, 2017 is as follows:

|   |               |
|---|---------------|
| Actuarial valuation date                          | June 30, 2016 |
| Actuarial Accrued liability (AAL)                 | \$ 3,739,458  |
| Actuarial Value of Assets                         | <u>-</u>      |
| Unfunded Actuarial Accrued Liability (UAAL)       | \$ 3,739,458  |
| Funded Ratio (actuarial value of plan assets/AAL) | 0%            |
| Covered payroll (active plan members)             | \$ 34,654,296 |
| UAAL as a percentage of covered payroll           | 11%           |

The present value of all benefits expected to be paid to current plan members as of June 30, 2017, is \$3,739,458. The actuarial accrued liability, which is the portion attributable to service accrued by members as of June 30, 2016, is \$3,739,458. As of June 30, 2017, there is \$0 in valuation assets available to offset the liabilities of the plan. The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, as of June 30, 2017, is 0%. The required schedule of funding progress (page 40) presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

GASB Statement 45 allows amortization of the UAAL over a 30 year period based on a percentage of covered payroll. The UAAL as of June 30, 2016, were amortized as a level dollar over a period of 15 years (and over a period of 17 years for June 30, 2014). This methodology was adopted to reflect the closed nature of the plan.

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

*Actuarial Methods and Assumptions*

Actuarial assumptions involve estimates of future plan experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation. To permit fluctuations and trends in experience to be reflected in the contribution rate on a regular basis, UFA will be required by GASB to perform actuarial valuations at least biennially.

The Individual Entry-Age actuarial cost method was used to calculate the GASB ARC for this valuation. The actuarial assumptions included (a) 4% investment rate of return (net of administrative expenses), (b) annual dental care inflation trend of 2% and an annual health care inflation trend of 7.5% initially, reduced by decrements to a rate of 4.25% over fifteen years, and (c) projected salary increases of 0%. If experience is in accordance with the assumptions used, the ARC will increase at approximately the same rate as active member payroll, and the ARC as a percentage of covered payroll will remain basically level on a year to year basis.

The plan retains liabilities for current retired members as well as current active members that retire and elected coverage prior to December 31, 2013.

NOTE 8 - COMPENSATED ABSENCES

The changes in compensated absences for the year ended June 30, 2017, are as follows:

|   | <u>Beginning</u>    | <u>Increases</u>    | <u>(Decreases)</u>    | <u>Ending</u>       |
|---|---------------------|---------------------|-----------------------|---------------------|
| Vacation  | \$ 4,492,090        | \$ 2,886,757        | \$ (3,393,896)        | \$ 3,984,951        |
| Sick leave  | 497,232             | 945,798             | (931,275)             | 511,755             |
| Total compensated absences<br>(including \$1,611,389 classified as current) | <u>\$ 4,989,322</u> | <u>\$ 3,832,555</u> | <u>\$ (4,325,171)</u> | <u>\$ 4,496,706</u> |

NOTE 9 - CAPITAL LEASES

Since March 2006, UFA has entered into multiple capital lease agreements for the acquisition of specialized transportation equipment, such as fire apparatus and ambulances. Under the terms of all leases, UFA will gain ownership at the time of its last lease payment.

The following is a summary of transactions affecting capital lease obligations for the fiscal year ended June 30, 2017:

|                                 | <u>Beginning</u>     | <u>Increases</u> | <u>(Decreases)</u>    | <u>Ending</u>        |
|---------------------------------|----------------------|------------------|-----------------------|----------------------|
| Governmental                    | \$ 15,671,290        | \$ -             | \$ (2,652,766)        | \$ 13,018,524        |
| Business-Type                   | 513,832              | -                | (81,415)              | 432,417              |
| Total Capital Lease Obligations | <u>\$ 16,185,122</u> | <u>\$ -</u>      | <u>\$ (2,734,181)</u> | <u>\$ 13,450,941</u> |

As of June 30, 2017, assets recorded under the outstanding leases are: transportation equipment and communications equipment having original cost of \$14,233,422, with \$796,024 of accumulated amortization. Amortization, included with depreciation on the financial statements, was \$483,904 for the year ended June 30, 2017. Interest on capital leases charged to expense for the year ended June 30, 2017 was \$271,339.



# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - CAPITAL LEASES (CONTINUED)

Principal remaining under the leases at June 30, 2017 is as follows:

|   | <u>Governmental</u>  | <u>Business-<br/>Type</u> |
|---|----------------------|---------------------------|
| Capital lease collateralized by SCBA equipment, communications equipment, multiple fire apparatus, and ambulances, bearing interest at 2.3% with annual principal and interest payments of \$987,784 through January 2016 | \$ 12,757,612        | \$ 432,417                |
| Capital lease collateralized by medical equipment, bearing interest at 4.5% with annual principal and interest payments of \$203,985 through July 2017  | 195,025              | -                         |
| Capital lease collateralized by two fire apparatus, bearing interest at 2.43% with annual principal and interest payments of \$67,564 through October 2017  | 65,887               | -                         |
|   | <u>\$ 13,018,524</u> | <u>\$ 432,417</u>         |

The following is a schedule by years of future minimum payments required under the leases together with their present value as of June 30, 2017:

|  | <u>Governmental</u>  |                   |                      | <u>Business-Type</u> |                  |                   |
|--|----------------------|-------------------|----------------------|----------------------|------------------|-------------------|
|  | <u>Principal</u>     | <u>Interest</u>   | <u>Total</u>         | <u>Principal</u>     | <u>Interest</u>  | <u>Total</u>      |
| 2018   | 2,711,414            | 268,264           | 2,979,678            | 83,059               | 8,735            | 91,794            |
| 2019   | 2,500,002            | 208,204           | 2,708,206            | 84,737               | 7,057            | 91,794            |
| 2020   | 2,550,502            | 157,704           | 2,708,206            | 86,449               | 5,345            | 91,794            |
| 2021   | 2,602,022            | 106,183           | 2,708,205            | 88,195               | 3,599            | 91,794            |
| 2022   | 2,654,584            | 53,623            | 2,708,207            | 89,977               | 1,818            | 91,795            |
| Total minimum lease payments   | <u>\$ 13,018,524</u> | <u>\$ 793,978</u> | 13,812,502           | <u>\$ 432,417</u>    | <u>\$ 26,554</u> | 458,971           |
| Less amount representing interest  |                      |                   | <u>(793,978)</u>     |                      |                  | <u>(26,554)</u>   |
| Present value of minimum lease payments<br>(including \$2,794,473 classified as current) |                      |                   | <u>\$ 13,018,524</u> |                      |                  | <u>\$ 432,417</u> |

NOTE 10 - RELATED PARTY TRANSACTIONS

Unified Fire Authority received operating fees from its members in the amount of \$54,574,534 in 2017 which represents approximately 78.5% of total UFA governmental revenues for 2017. Of these fees, \$44,067,254 was received from the Unified Fire Service Area (UFSA), which represents approximately 81% of total member fees for the fiscal year. During the fiscal year ended June 30, 2017, UFSA also reimbursed UFA \$15,023 and paid \$304,750 for financial management and administrative services provided by UFA.

In February 2012, UFA entered into an interlocal agreement with UFSA to finance the purchase of a warehouse in West Jordan, Utah. UFSA loaned \$2.5 million to UFA for purchase of the building. The remaining funds (\$1 million) for purchase, relocation, and renovation were provided by UFA. The agreement requires UFA to pay 228 monthly payments of \$15,672. Upon commencement of payments in June 2013, the agreement bears 4% interest. UFA paid \$101,446 principal and \$86,615 interest to UFSA during the fiscal year ended June 30, 2017.

The following is a schedule by years of future minimum payments required under the agreement as of June 30, 2017:

|           |                     |
|-----------|---------------------|
| 2018      | \$ 105,579          |
| 2019      | 109,881             |
| 2020      | 114,357             |
| 2021      | 119,017             |
| 2022      | 123,865             |
| 2023-2027 | 699,264             |
| 2028-2032 | 838,126             |
|           | <u>\$ 2,110,089</u> |

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

UFA received from Salt Lake County (the County) operating fees restricted for emergency services of \$2,038,989, as well as \$3,175,714 to provide fire protection to the Canyon Recreational areas for the year ended June 30, 2017.

Unified Fire Authority operates under a cooperative agreement with the County for telephone services and maintenance of buildings. UFA paid the County for telephone services, building maintenance, and improvements totaling \$184,098 as well as miscellaneous reimbursements of \$6,063 in fiscal year 2017. UFA's accounts payable at June 30, 2017 included \$14,293 due to the County.

The interlocal agreement organizing Unified Fire Authority provides for a sublease of the Emergency Operations Center from the County effective July 1, 2004. Payments required under the lease consist of UFA's proportion (based on usage of facility square footage) of 9% of the total bond payment due by the County for the Salt Lake County Municipal Building Authority Revenue Bonds, Series 1999. Beginning in January 2010, the County reduced UFA's lease payments. Payments under the lease were \$146,669 for the year ended June 30, 2017. Future minimum noncancelable lease payments under the interlocal agreement are as follows:

|      |                   |
|------|-------------------|
| 2018 | \$ 164,001        |
| 2019 | 163,848           |
| 2020 | 163,836           |
| 2021 | 82,088            |
|      | <u>\$ 573,773</u> |

UFA is the sponsoring agency for the Salt Lake Urban Search and Rescue (USAR) task force, a non-profit corporation. USAR is one of 28 State and local emergency management task forces designated by the Federal Emergency Management Agency (FEMA) as members of the National Urban Search and Rescue (US&R) Response System. Salt Lake City and Park City also participate in the task force. USAR's Board of Directors consists of four members: two from UFA and two from Salt Lake City. UFA contributed \$50,000 to USAR during the fiscal year ended June 30, 2017, for operations and purchases not covered by Federal grants.

As sponsoring agency, UFA entered into an agreement with FEMA requiring training and maintenance of a task force for emergency response in accordance with FEMA standards. USAR and UFA entered into a reimbursement agreement for USAR's share of various costs, such as: warehouse storage, office space, office equipment, and utilities. USAR's staffing and daily management is primarily provided by UFA employees. USAR leases approximately 19,000 square feet of warehouse and office space in UFA's new warehouse facility. As of June 30, 2017, future minimum lease receipts under the agreement are \$94,896 for the fiscal year.

During the fiscal year ended June 30, 2017, USAR reimbursed UFA for salaries and benefits (\$560,123) and reimbursements including utilities, improvements, maintenance, equipment costs and miscellaneous purchases (\$29,042). As of June 30, 2017, UFA's accounts receivable included \$131,388 due from USAR for salaries and benefits, as well as rent and reimbursements.

In July 2014, UFA entered into a capital lease arrangement to purchase medical equipment, including two units for USAR with a total cost of \$62,575. USAR agreed to reimburse UFA for a proportional share of the annual lease payment. During the fiscal year ended June 30, 2017, USAR paid \$16,576 (\$15,152 principal and \$1,424 interest) to UFA. Future minimum payments under the interlocal agreement are as follows:

|      | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|------|------------------|-----------------|------------------|
| 2018 | 15,848           | 728             | 16,576           |
|      | <u>\$ 15,848</u> | <u>\$ 728</u>   | <u>\$ 16,576</u> |

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 11 - TRANSACTIONS BETWEEN FUNDS

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. Interfund transfers are listed below for the year ended June 30, 2017:

| Transfers In                             | Transfers Out |                      |            |
|--|---------------|----------------------|------------|
|  | General Fund  | Special Revenue Fund | Total      |
| General Fund                             | \$ -          | \$ 100,000           | \$ 100,000 |
| Emergency Services Capital Projects Fund | -             | 40,000               | 40,000     |
| Proprietary Fund                         | 21,391        | -                    | 21,391     |
| Total                                    | \$ 21,391     | \$ 140,000           | \$ 161,391 |

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Purchase orders (encumbrances) as of June 30, 2017, for items ordered but not received during the fiscal year are as follows:

| Year-end Encumbrances | Governmental Activities | Business-Type Activities |
|-----------------------|-------------------------|--------------------------|
| General Fund          | \$ 876,711              | \$ -                     |
| Special Revenue Fund  | 54,761                  | -                        |
|                       | \$ 931,472              | \$ -                     |

A portion of General Fund encumbrances as of June 30, 2017 (\$537,315) is included in fund balance restricted for capital acquisitions.

As of June 30, 2017, UFA did not have any pending litigation or undisclosed liabilities.

NOTE 13 - SUBSEQUENT EVENT

Effective July 1, 2017, Draper City terminated its membership with UFA, reducing the number of UFA stations by three and decreasing member fee revenue by approximately \$4.7 million. In preparation for its withdrawal, UFA management and Board reduced full-time field operations staff by 27. In addition to the reduction in full-time operations positions, UFA management flattened administration by eliminating four executive and three support positions. Further operational and administrative cost savings totaling over \$1.5 million were captured during UFA's budget process.

**UNIFIED FIRE AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**June 30, 2017**

|  | MAJOR FUNDS          |                     | Actual<br>Amounts    | Variance with<br>Final<br>Budget |
|--|----------------------|---------------------|----------------------|----------------------------------|
|  | Original             | Final               |                      |                                  |
| <b>REVENUES</b>  |                      |                     |                      |                                  |
| Member fees  | \$ 54,574,536        | \$ 54,574,536       | \$ 54,574,534        | \$ (2)                           |
| Ambulance operations   | 7,500,000            | 7,500,000           | 7,730,102            | 230,102                          |
| Fees - Other   | 3,303,214            | 3,429,214           | 3,586,703            | 157,489                          |
| Grants and contributions   | 10,000               | 66,848              | 56,523               | (10,325)                         |
| Intergovernmental revenues   | 304,750              | 430,796             | 485,818              | 55,022                           |
| Reimbursements   | 370,000              | 423,472             | 468,073              | 44,601                           |
| Rent income  | 83,000               | 83,000              | 94,896               | 11,896                           |
| Investment income  | 50,000               | 50,000              | 99,138               | 49,138                           |
| Other income   | 10,000               | 10,000              | 150,853              | 140,853                          |
| <b>TOTAL REVENUES</b>  | <b>66,205,500</b>    | <b>66,567,866</b>   | <b>67,246,640</b>    | <b>678,774</b>                   |
| <b>EXPENDITURES</b>  |                      |                     |                      |                                  |
| Current  |                      |                     |                      |                                  |
| Salaries and benefits  | 53,650,390           | 54,330,546          | 52,496,579           | 1,833,967                        |
| Operations   | 9,216,905            | 9,877,443           | 9,329,281            | 548,162                          |
| General and administrative   | 914,634              | 909,634             | 729,454              | 180,180                          |
| Capital outlay   | 2,530,091            | 3,592,105           | 3,227,557            | 364,548                          |
| Debt service   | 3,518,480            | 3,239,765           | 3,167,740            | 72,025                           |
| <b>TOTAL EXPENDITURES</b>  | <b>69,830,500</b>    | <b>71,949,493</b>   | <b>68,950,611</b>    | <b>2,998,882</b>                 |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>(3,625,000)</b>   | <b>(5,381,627)</b>  | <b>(1,703,971)</b>   | <b>3,677,656</b>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                      |                     |                      |                                  |
| Proceeds from issuance of long-term debt                             | -                    | -                   | -                    | -                                |
| Proceeds from sale of assets   | -                    | -                   | 102,500              | 102,500                          |
| Transfers in   | 100,000              | 100,000             | 100,000              | -                                |
| Transfers out  | -                    | (21,391)            | (21,391)             | -                                |
| <b>Total other financing sources (uses)</b>                          | <b>100,000</b>       | <b>78,609</b>       | <b>181,109</b>       | <b>102,500</b>                   |
| <b>Net change in fund balances</b>                                   | <b>(3,525,000)</b>   | <b>(5,303,018)</b>  | <b>(1,522,862)</b>   | <b>3,780,156</b>                 |
| Fund balances - beginning  | 15,299,302           | 15,299,302          | 15,299,302           | -                                |
| Decrease in inventory  | -                    | -                   | 88,146               | 88,146                           |
| <b>Fund balances - ending</b>  | <b>\$ 11,774,302</b> | <b>\$ 9,996,284</b> | <b>\$ 13,864,586</b> | <b>\$ 3,868,302</b>              |

**UNIFIED FIRE AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**

**SPECIAL REVENUE FUND**

**Year ended June 30, 2017**

|  | MAJOR FUNDS       |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
|  | Original          | Final             |                   |                               |
| <b>REVENUES</b>  |                   |                   |                   |                               |
| Fees - Emergency services  | \$ 2,026,824      | \$ 2,026,824      | \$ 2,038,989      | \$ 12,165                     |
| Grants and contributions   | 130,727           | 191,433           | 175,665           | (15,768)                      |
| Investment income  | 200               | 200               | 309               | 109                           |
| Other income   | 55,056            | 55,056            | 71,057            | 16,001                        |
| <b>TOTAL REVENUES</b>  | <b>2,212,807</b>  | <b>2,293,833</b>  | <b>2,306,340</b>  | <b>12,507</b>                 |
| <b>EXPENDITURES</b>  |                   |                   |                   |                               |
| Current  |                   |                   |                   |                               |
| Salaries and benefits  | 1,198,534         | 1,255,405         | 1,103,342         | 152,063                       |
| Operations   | 721,273           | 756,979           | 597,280           | 159,699                       |
| General and administrative   | 23,000            | 23,000            | 18,696            | 4,304                         |
| Capital outlay   | 80,000            | 105,000           | 101,780           | 3,220                         |
| <b>TOTAL EXPENDITURES</b>  | <b>2,022,807</b>  | <b>2,140,384</b>  | <b>1,821,098</b>  | <b>319,286</b>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>190,000</b>    | <b>153,449</b>    | <b>485,242</b>    | <b>331,793</b>                |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                   |                   |                   |                               |
| Proceeds from sale of assets   | -                 | -                 | -                 | -                             |
| Transfers out  | (190,000)         | (190,000)         | (140,000)         | 50,000                        |
| <b>Total other financing sources (uses)</b>                          | <b>(190,000)</b>  | <b>(190,000)</b>  | <b>(140,000)</b>  | <b>50,000</b>                 |
| <b>Net change in fund balances</b>                                   | <b>-</b>          | <b>(36,551)</b>   | <b>345,242</b>    | <b>381,793</b>                |
| Fund balances - beginning  | 555,487           | 555,487           | 555,487           | -                             |
| <b>Fund balances - ending</b>  | <b>\$ 555,487</b> | <b>\$ 518,936</b> | <b>\$ 900,729</b> | <b>\$ 381,793</b>             |

**UNIFIED FIRE AUTHORITY      REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POST-EMPLOYMENT BENEFITS SCHEDULES**  
**Year ended June 30, 2017**

**SCHEDULE OF FUNDING PROGRESS**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability (AAL)<br>(b) | Unfunded<br>AAL (UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a %<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|--|---------------------------------|--------------------------|---------------------------|---|
| June 30, 2016                  | \$ -                                   | \$ 3,739,458                                   | \$ 3,739,458                    | 0%                       | \$ 34,500,000             | 11%   |
| June 30, 2014                  | \$ -                                   | \$ 4,329,961                                   | \$ 4,329,961                    | 0%                       | \$ 29,500,000             | 15%   |
| June 30, 2012                  | \$ -                                   | \$ 4,373,460                                   | \$ 4,373,460                    | 0%                       | \$ 28,000,000             | 16%   |
| June 30, 2010                  | \$ -                                   | \$ 10,990,290                                  | \$ 10,990,290                   | 0%                       | \$ 24,500,000             | 45%   |
| June 30, 2008                  | \$ -                                   | \$ 12,940,672                                  | \$ 12,940,672                   | 0%                       | \$ 21,400,000             | 60%   |

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

|      | Annual<br>Required<br>Contribution | Employer<br>Contributions | Annual<br>OPEB Cost<br>Contributed |
|------|------------------------------------|---------------------------|------------------------------------|
| 2017 | \$ 329,778                         | \$ 173,025                | 52%                                |
| 2016 | \$ 348,982                         | \$ 128,217                | 37%                                |
| 2015 | \$ 348,982                         | \$ 180,272                | 52%                                |
| 2014 | \$ 508,445                         | \$ 390,356                | 77%                                |
| 2013 | \$ 623,027                         | \$ 310,311                | 50%                                |
| 2012 | \$ 1,238,171                       | \$ 107,336                | 9%                                 |
| 2011 | \$ 1,796,607                       | \$ 92,421                 | 5%                                 |
| 2010 | \$ 1,469,523                       | \$ 72,317                 | 5%                                 |
| 2009 | \$ 1,469,523                       | \$ -                      | 0%                                 |

Effective November 20, 2012, the Board approved the dissolution of the Unified Fire Authority Retiree Healthcare Plan. The resolution adopted eliminates the Post-Retirement Insurance Premium for anyone retiring after December 31, 2013. In addition, no member retiring after June 15, 2012 is eligible for a subsidized Medicare Supplement. This plan change eliminated a large portion of the active member liabilities for post-retirement healthcare.

**UNIFIED FIRE AUTHORITY**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Utah Retirement Systems  
For the Years Ended**

|  | Noncontributory Retirement System | Public Safety System | Firefighters Retirement System | Tier 2 Public Employees Retirement System | Tier 2 Public Safety and Firefighter Retirement |
|--|-----------------------------------|----------------------|--------------------------------|---|---|
| <b>December 31, 2016</b>   |                                   |                      |                                |   |   |
| Proportion of the net pension liability (asset)  | 0.2632109 %                       | 0.0970583 %          | 30.0649010 %                   | 0.0508973 %                               | 2.3436040 %                                     |
| Proportionate share of the net pension liability (asset)   | \$ 1,690,136                      | \$ 196,958           | \$ 4,447,122                   | \$ 5,678                                  | \$ (20,344)                                     |
| Covered employee payroll   | \$ 2,337,782                      | \$ 141,938           | \$ 26,880,461                  | \$ 417,396                                | \$ 1,936,343                                    |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 72.30 %                           | 138.76 %             | 16.54 %                        | 1.36 %                                    | -1.05 %   |
| Plan fiduciary net position as a percentage of the total pension liability                               | 87.3 %                            | 86.5 %               | 98.4 %                         | 95.1 %                                    | 103.6 %   |
| <b>December 31, 2015</b>   |                                   |                      |                                |   |   |
| Proportion of the net pension liability (asset)  | 0.2662765 %                       | 0.0939590 %          | 30.4112930 %                   | 0.0629059 %                               | 2.5348470 %                                     |
| Proportionate share of the net pension liability (asset)   | \$ 1,506,722                      | \$ 168,304           | \$ 5,174,732                   | \$ (137)                                  | \$ (37,051)                                     |
| Covered employee payroll   | \$ 2,339,319                      | \$ 214,998           | \$ 26,540,703                  | \$ 406,336                                | \$ 1,507,543                                    |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 64.41 %                           | 78.28 %              | 19.50 %                        | -0.03 %                                   | -2.46 %   |
| Plan fiduciary net position as a percentage of the total pension liability                               | 87.8 %                            | 87.1 %               | 98.1 %                         | 100.2 %                                   | 110.7 %   |
| <b>December 31, 2014</b>   |                                   |                      |                                |   |   |
| Proportion of the net pension liability (asset)  | 0.2459847 %                       | 0.0937069 %          | 30.1516507 %                   | 0.0678838 %                               | 2.5536386 %                                     |
| Proportionate share of the net pension liability (asset)   | \$ 1,067,967                      | \$ 117,844           | \$ (3,318,119)                 | \$ (2,057)                                | \$ (37,777)                                     |
| Covered employee payroll   | \$ 2,234,498                      | \$ 213,277           | \$ 26,038,716                  | \$ 333,348                                | \$ 1,057,046                                    |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 47.80 %                           | 55.30                | -12.70 %                       | -0.60 %                                   | -3.60 %   |
| Plan fiduciary net position as a percentage of the total pension liability                               | 90.2 %                            | 90.5 %               | 101.3 %                        | 103.5 %                                   | 120.5 %   |

\* Table represents data available since implementation of GASB Statement 68 and will increase to ten years over time. Amounts presented were determined as of calendar year January 1 - December 31.

## UNIFIED FIRE AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF CONTRIBUTIONS

## Utah Retirement Systems

December 31, 2016

|   | As of<br>Fiscal Year<br>Ended<br>June 30 | Actuarial<br>Determined<br>Contributions | Contributions in<br>Relation to           |   | Covered<br>Employee<br>Payroll | Contributions as<br>a Percentage of<br>Covered<br>Employee Payroll |
|---|--|--|---|---|--------------------------------|--|
|   |  |  | Contractually<br>Required<br>Contribution | Contribution<br>Deficiency/<br>(Excess) |                                |  |
| Noncontributory System                                | 2014                                     | 338,745                                  | 338,745                                   | -                                       | 2,199,923                      | 15.40%   |
|   | 2015                                     | 380,302                                  | 380,302                                   | -                                       | 2,251,699                      | 16.89%   |
|   | 2016                                     | 409,735                                  | 409,735                                   | -                                       | 2,386,711                      | 17.17%   |
|   | 2017                                     | 419,022                                  | 419,022                                   | -                                       | 2,313,368                      | 18.11%   |
| Public Safety System                                  | 2014                                     | 43,034                                   | 43,034                                    | -                                       | 204,676                        | 21.03%   |
|   | 2015                                     | 48,188                                   | 48,188                                    | -                                       | 213,112                        | 22.61%   |
|   | 2016                                     | 49,499                                   | 49,499                                    | -                                       | 177,146                        | 27.94%   |
|   | 2017                                     | 51,795                                   | 51,795                                    | -                                       | 145,044                        | 35.71%   |
| Firefighters System                                   | 2014                                     | 1,114,704                                | 1,114,704                                 | -                                       | 25,836,524                     | 4.31%  |
|   | 2015                                     | 1,674,942                                | 1,674,942                                 | -                                       | 26,268,788                     | 6.38%  |
|   | 2016                                     | 1,744,093                                | 1,744,093                                 | -                                       | 26,667,191                     | 6.54%  |
|   | 2017                                     | 1,728,540                                | 1,728,540                                 | -                                       | 26,864,103                     | 6.43%  |
| Tier 2 Public Employees<br>System*                    | 2014                                     | 35,970                                   | 35,970                                    | -                                       | 257,114                        | 13.99%   |
|   | 2015                                     | 60,747                                   | 60,747                                    | -                                       | 406,610                        | 14.94%   |
|   | 2016                                     | 61,734                                   | 61,734                                    | -                                       | 414,045                        | 14.91%   |
|   | 2017                                     | 60,984                                   | 60,984                                    | -                                       | 409,014                        | 14.91%   |
| Tier 2 Public Safety &<br>Firefighter System          | 2014                                     | 714                                      | 714                                       | -                                       | 647,726                        | 0.11%  |
|   | 2015                                     | 145,904                                  | 145,904                                   | -                                       | 1,350,959                      | 10.80%   |
|   | 2016                                     | 180,905                                  | 180,905                                   | -                                       | 1,680,947                      | 10.76%   |
|   | 2017                                     | 245,430                                  | 245,430                                   | -                                       | 2,283,069                      | 10.75%   |
| Tier 2 Public Employees DC<br>Only System*            | 2014                                     | 5,894                                    | 5,894                                     | -                                       | 105,623                        | 5.58%  |
|   | 2015                                     | 8,781                                    | 8,781                                     | -                                       | 130,663                        | 6.72%  |
|   | 2016                                     | 11,926                                   | 11,926                                    | -                                       | 178,266                        | 6.69%  |
|   | 2017                                     | 13,566                                   | 13,566                                    | -                                       | 202,778                        | 6.69%  |
| Tier 2 Public Safety &<br>Firefighter DC Only System* | 2014                                     | -  | -   | -                                       | -                              | 0.00%  |
|   | 2015                                     | 30                                       | 30  | -                                       | 37,405                         | 0.08%  |
|   | 2016                                     | 149                                      | 149                                       | -                                       | 186,320                        | 0.08%  |
|   | 2017                                     | 222                                      | 222                                       | -                                       | 277,879                        | 0.08%  |

\* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

Table represents data available since implementation of GASB Statement 68 and will increase to ten years over time. Amounts presented were determined as of calendar year January 1 - December 31.



**UNIFIED FIRE AUTHORITY                      REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Unified Fire Authority adopts an "appropriated budget" for the all of its funds. UFA is required to present the adopted and final amended budgeted revenue and expenditures for the General and Special Revenue funds. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- During the month of April, the Finance Committee meets to review management's proposed budget.
- By the first regularly scheduled Board meeting in May, UFA presents a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. At this meeting, The Board of Trustees adopts a tentative budget.
- A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after seven days public notice of the meeting has been given.
- Prior to June 22, the budget is legally enacted through a passage of a resolution by the Board of Trustees.
- 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, are 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 coordinator at the revenue 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.

Reconciliation from Budgetary Basis to GAAP Basis

The differences between budgetary basis and GAAP basis for the year ended June 30, 2017 are as follows:

|  | General<br>Fund | Special<br>Revenue<br>Fund |
|--|-----------------|----------------------------|
| Budgetary Fund Balances  | \$ 13,864,586   | \$ 900,729                 |
| Amounts reported for budgetary basis are different because:  |                 |                            |
| Encumbrances for goods and services not received until after the current fiscal year included as expenditures for budgetary purposes, not GAAP | 876,711         | 54,761                     |
| Encumbrances for goods and services not received until after the prior fiscal year excluded as expenditures for budgetary purposes, not GAAP   | (2,729,733)     | (68,486)                   |
| Total Fund Balances  | \$ 12,011,564   | \$ 887,004                 |

**UNIFIED FIRE AUTHORITY                      REQUIRED SUPPLEMENTARY INFORMATION**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Policies

The UFA Board approved a Budget Process policy outlining procedures for developing and approving an annual budget, budget monitoring and reporting, as well as budget amendments. The policy outlines the types of increases and transfers require certain levels of authorization, as shown below:

| Budget Amendment Type                                      | Fire Chief  | Finance Committee   | UFA Board                                   |
|--|---|---|---|
| Increase to budget (new grants, use of fund balance, etc.) | None  | Recommends to Board   | Approves                                    |
| Interfund transfers  | None  | Recommends to Board   | Approves                                    |
| Transfers between categories within the same division:     |   |   |   |
| Capital  | \$0-\$25,000 allowed; Disclose to Finance Committee | \$25,000.01 - \$100,000 Finance Committee approves. Disclose to UFA Board | Above \$100,000 requires UFA Board approval |
| General & Administrative                                   |   |   |   |
| Operations   |   |   |   |
| Long-term debt<br>Personnel                                | None  | Recommends to Board   | Approves                                    |
| Transfers between divisions:                               |   |   |   |
| Same Category  | \$0-\$10,000 allowed; Disclose to Finance Committee | \$25,000.01 - \$100,000 Finance Committee approves. Disclose to UFA Board | Above \$100,000 requires UFA Board approval |
| Different category   |   |   |   |

NOTE 2 - CHANGES IN ASSUMPTIONS

The following assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.5% to 7.2% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.