

A photograph of a red fire truck in a garage, viewed from a low angle. The truck is the central focus, with its chrome grille and bumper visible. The background shows the interior of a fire station with other vehicles and equipment. The text is overlaid on the center of the image.

# **UNIFIED FIRE AUTHORITY**

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## **ANNUAL FINANCIAL REPORT**

June 30, 2014

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**Keddington & Christensen**  
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**INDEPENDENT AUDITOR’S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Unified Fire Authority (UFA) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of UFA, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

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

*Keddington & Christensen, LLC*

November 14, 2014



# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014. 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 exceeded its liabilities) as of June 30, 2014 were \$10,921,366. This amount increased \$637,240 (6%) over the previous year. The increase in net position is a result of the issuance of long-term debt for which equipment is not yet ordered (\$281,966), increased higher member fees collected, and efficient management of expenses. These led to savings in personnel costs and conservation of inventories.

UFA reported combined ending fund balance for governmental funds of \$12,062,540 as of June 30, 2014 (12% decrease from \$13,720,132 in 2013). The total *spendable fund balance* at June 30, 2014 was \$10,933,957, which represents 17% of total fund expenditures. Of the total spendable fund balance, \$5,019,806 is actually available for appropriation and spending (*unassigned fund balance*), \$2,472,967 is assigned for future purchases, and \$2,444,792 is committed. Unassigned fund balance includes \$3,115,008 (5% of fiscal year 2015 estimated general fund revenues) required by the State of Utah to be retained as fund balance. Total unassigned fund balance in 2014 decreased \$1,713,264 (25%) primarily as a result of a lump sum payment to UFA employees' VEBA accounts related to the termination of UFA's post-employment health benefits. 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, 2014, UFA station crews responded to 5,648 fires and 20,995 medical calls, for a total of 26,643 calls (compared to 27,532 total calls in 2013). The average number of calls per station decreased from 1,042 in 2013 to 952 in 2014, due to a decrease in overall call volume as well as additional stations added in 2013.

Of UFA's nearly 21,000 medical calls generated 11,100 billable ambulance transports, compared to 11,815 in 2013 (six percent decrease). Actual ambulance call volume during the year resulted in gross billings of \$15.8 million (five percent decrease from \$16.3 million in 2013). Earned revenues, net of adjustments and allowances, decreased approximately one percent to \$6.7 million in the fiscal year ended June 30, 2014. As of year-end, net receivables related to ambulance service were \$1.6 million.

UFA's Wildland Fund reported revenues of over \$1.3 million (35% decrease from prior year). The decrease is due to a late start as a result of seasonal conditions related to the winter weather patterns. Wildfire suppression crews worked in New Mexico and Utah during the 2014 season. The decrease in billed revenues resulted in a reduction in net position of \$189,329 for the program as of June 30, 2014.

Newly built replacement Station 104 opened in Holladay City in January 2014. The station was funded by Holladay City and staffed by UFA. For more details on upcoming changes, see the "Economic Factors and Next Year's Budget" section beginning on page 11.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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:** UFA adopts an annual appropriated budget for its funds. Budgetary comparison statements (pages 35-36) have been provided for the general and special revenue funds to demonstrate compliance with the budget.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014, assets exceeded liabilities by \$11,144,042, an increase of six percent over the previous year.

Current assets decreased ten percent at June 30, 2014, over 2013. Decreases in cash and receivables of \$1,983,428 and \$600,363 (13% and 23%), respectively, were offset by increases in inventory and prepaid expenses totaling \$690,863. Net investment in capital assets increased 10% over 2013 because capital purchases totaling \$3,493,621 exceeded depreciation expense of \$2,432,578 during fiscal year 2014.

Current liabilities at June 30, 2014, decreased by approximately three percent compared to balances at June 30, 2013, primarily due to a drop in deferred revenue.

Long-term liabilities (including capital leases, related party note payable, compensated absence obligations, and OPEB liabilities) decreased from 2013 to 2014 by nearly nine percent. Payments on capital leases and UFA's related party note payable totaling \$1,853,190 were offset by the issuance of \$322,000 on a new capital lease. Compensated absence obligations increased \$194,396 (5%). See Notes 7, 8, and 9 beginning on page 29 for more information regarding other post-employment benefits, compensated absences, and capital leases, respectively.

**Summary of Statement of Net Position  
As of June 30,**

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change
	2014	2013	2014	2013	2014	2013	
<b>Assets</b>							
Current and other assets	\$16,462,231	\$18,085,435	\$379,587	\$649,311	\$16,841,818	\$18,734,746	-10%
Capital assets	11,797,714	10,725,031	1,504	13,145	11,799,218	10,738,176	10%
Total Assets	28,259,945	28,810,466	381,091	662,456	28,641,036	29,472,922	-3%
<b>Liabilities</b>							
Current and other liabilities	3,640,155	3,679,452	158,415	251,451	3,798,570	3,930,903	-3%
Long-term liabilities	13,698,424	15,035,217	-	-	13,698,424	15,035,217	-9%
Total Liabilities	17,338,579	18,714,669	158,415	251,451	17,496,994	18,966,120	-8%
<b>Net Position</b>							
Invested in capital assets, net of related debt	7,852,382	7,304,927	1,504	13,145	7,853,886	7,318,072	7%
Restricted	1,128,583	438,214	-	-	1,128,583	438,214	158%
Unrestricted	1,940,401	2,352,656	221,172	397,860	2,161,573	2,750,516	-21%
Total Net Position	\$10,921,366	\$10,095,797	\$222,676	\$411,005	\$11,144,042	\$10,506,802	6%

UFA's net investment in capital assets is \$7,853,886, or 70% of total net position. Net investment in capital assets increased \$535,814 (7%) in 2014, primarily due to lower depreciation expense for the year. 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 \$690,369 from 2013 to 2014. The increase primarily resulted from UFA's medical insurance and flexible spending benefit prepayments of approximately \$530,000 due to a change in providers as well as a \$150,616 (38%) increase in inventory at June 30, 2014, based on supply usage. Restricted amounts are related to: supplies and equipment inventory (\$546,501) held at UFA's warehouse and funds paid to vendors prior to receipt of good and/or services (\$582,082).

# UNIFIED FIRE AUTHORITY

# ANNUAL FINANCIAL REPORT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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

Unrestricted net position, which may be used to meet UFA's ongoing financial obligations to citizens and creditors, decreased \$588,943 (21%) to \$2,161,573. The decrease is due to the following:

- Utilization of creative staffing methods and timing in filling staffing vacancies
- An operating deficit in the Wildland Enterprise fund
- UFA's \$1.7 million lump sum payment to employees' VEBA accounts related to the termination of UFA's post-employment health benefits

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change
	2014	2013	2014	2013	2014	2013	
<b>Program revenues</b>							
Charges for services	\$60,220,151	\$56,340,894	\$1,330,034	\$2,059,424	\$61,550,185	\$58,400,318	5%
Grants and contributions	291,963	1,257,290	225	-	292,188	1,257,290	-77%
<b>General revenues</b>							
Unrestricted net							
investment earnings	75,954	84,287	790	352	76,744	84,639	-9%
Other	109,964	139,662	-	-	109,964	139,662	-21%
Capital contributions	1,391,555	542,964	-	-	1,391,555	542,964	156%
Total revenues	<u>62,089,587</u>	<u>58,365,097</u>	<u>1,331,049</u>	<u>2,059,776</u>	<u>63,420,636</u>	<u>60,424,873</u>	5%
<b>Program expenses</b>							
Fire protection services	59,455,320	53,650,427	-	-	59,455,320	53,650,427	11%
Emergency services	1,773,270	2,763,830	-	-	1,773,270	2,763,830	-36%
Wildfire protection services	-	-	1,519,378	1,895,643	1,519,378	1,895,643	-20%
Interest on long-term debt	186,044	114,753	-	-	186,044	114,753	62%
Total expenses	<u>61,414,634</u>	<u>56,529,010</u>	<u>1,519,378</u>	<u>1,895,643</u>	<u>62,934,012</u>	<u>58,424,653</u>	8%
Excess (deficiency)							
before transfers	674,953	1,836,087	(188,329)	164,133	486,624	2,000,220	-76%
Net position - beginning	10,095,797	8,316,943	411,005	246,872	10,506,802	8,563,815	23%
Increase in inventory	150,616	(57,233)	-	-	150,616	(57,233)	-363%
Net position - ending	<u>\$10,921,366</u>	<u>\$10,095,797</u>	<u>\$ 222,676</u>	<u>\$ 411,005</u>	<u>\$11,144,042</u>	<u>\$10,506,802</u>	6%

#### Changes in Net Position

For the year ended June 30, 2014, current year operations increased UFA's net position by \$637,240. The increase in net position during the fiscal year is due primarily to the following:

- \$1,749,797 lump sum distribution to employees' VEBA accounts to offset loss of post-employment healthcare benefits
- A slow start to the wildfire season resulted in \$188,329 shortfall in UFA's business-type fund
- \$1,488,312 savings in personnel costs resulting from staffing vacancies as well as utilization of creative staffing methods
- Ambulance revenue earned before year-end (collected after August 2014) totaling \$797,265
- Postponement of fire apparatus acquisition totaling \$281,966

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

FINANCIAL ANALYSIS OF UFA AS A WHOLE (CONTINUED)

Program revenues consist of grants and contributions as well as charges for services. Total combined program revenue of nearly \$62 million is an increase of approximately four percent over the previous year, despite a \$965,102 decrease in grant revenue.

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 increased \$810,998 compared to the previous fiscal year, primarily as a result of \$1 million final distribution from Salt Lake County for investigation and hazardous materials services (offset by a \$63,423 revenue write-off related to the 2012 Rosecrest fire) compared to a one-time transfer of assets in 2013 from Eagle Mountain with a net value of \$112,392.

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 (\$3,907,619 increase). This increase was offset by decreases in wildland fees (\$729,390 lower than 2013) and grants. Wildland fees decreased due to a slow and late start to the season, compared to prior years' activity.

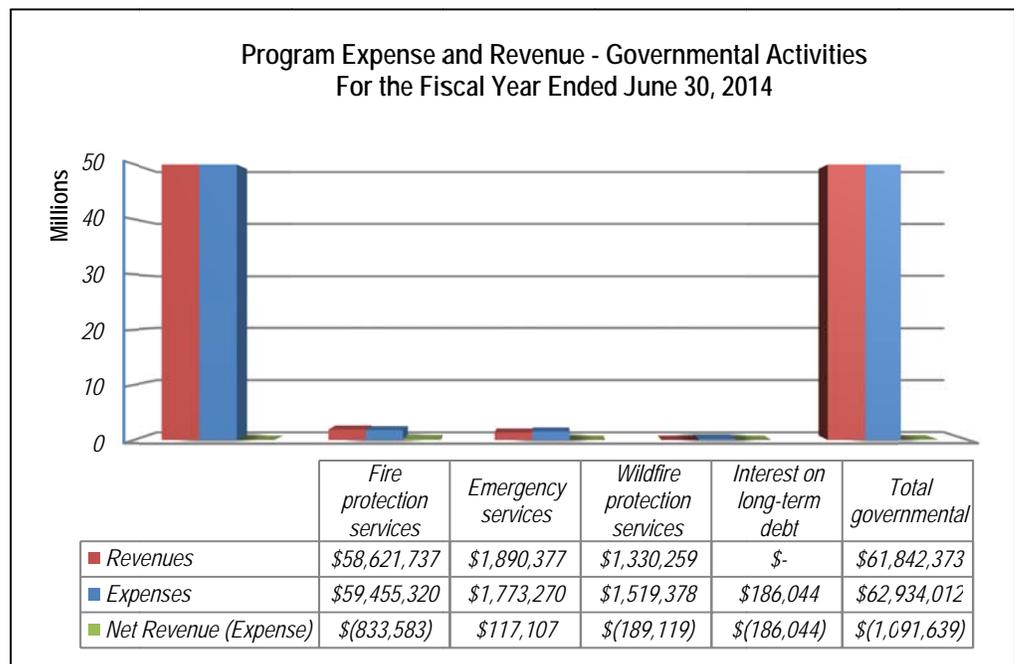
	Transports		Collections	
	Annual #	% Change	Annual \$	% Change
6/30/2014	11,100	-6%	\$ 6,685,372	-1%
6/30/2013	11,815	5%	\$ 6,780,177	2%
6/30/2012	11,285	18%	\$ 6,644,742	16%
6/30/2011	9,577	-1%	\$ 5,741,283	0%
6/30/2010	9,670		\$ 5,763,487	

Despite a small decrease in collections, revenues from ambulance services continue to provide a significant contribution to UFA's budget and reduce the per firefighter cost. Ambulance service revenues are the second largest source of revenue for UFA and accounted for approximately 11% of total combined charges for services in 2014. The adjacent table shows ambulance activity for the past five years.

Grants include grants, contributions, and donations that are restricted to one or more specific program. Grants primarily decreased due to completion of Federal Homeland Security (UASI) and staffing grant (SAFER) programs in 2013.

The adjacent table 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 \$833,583 net expense from both the lump sum employee VEBA distribution and increase in compensated absence liabilities, offset by savings in personnel costs resulting from staffing vacancies as well as utilization of creative staffing methods.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2014

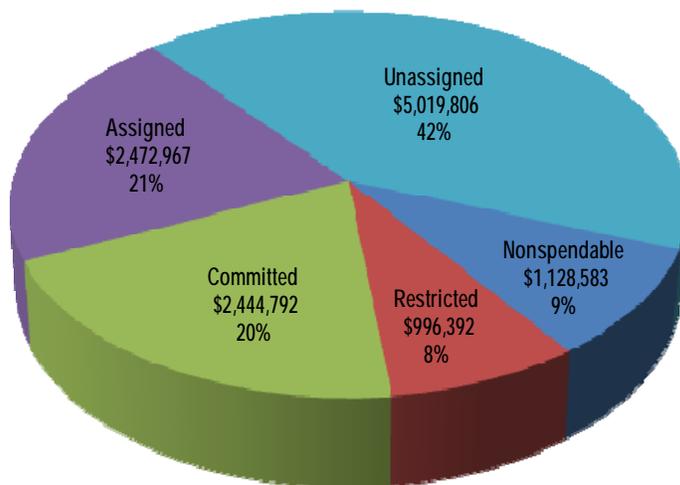
**FINANCIAL ANALYSIS OF UFA AS A WHOLE (CONTINUED)**

Program expenses increased approximately \$4.5 million (8%) over the prior year, due the net effect of the following:

- \$2.7 million growth in personnel costs due to additional allocations as well as higher retirement and insurance rates
- \$194,396 increase in compensated absence liability due to less paid vacation usage during 2014
- More than \$1.7 million contributed to employees' VEBA accounts to offset post-employment benefit termination
- \$71,291 increase in interest expense related to capital lease payments as a result of 2013 capital lease financing
- Approximately \$119,000 increase in revenue sharing reimbursements to Metro Fire Authority members
- Decrease in depreciation expense in excess of \$1.2 million
- Nearly \$120,000 decrease in purchases of personal protective equipment compared to prior year because of purchases made in 2013 for additional part-time hires as well as Eagle Mountain staffing
- Termination of UFA's warehouse lease resulted in a \$166,047 reduction of rent expense
- \$85,000 decrease in professional services paid to Utah State Forestry and Fire in 2013

**FINANCIAL ANALYSIS OF UFA'S FUNDS**

**Fund Balances - Governmental Funds  
At June 30, 2014**



**Governmental Funds:** As of June 30, 2014, the aggregate fund balance of UFA's governmental funds was \$12,062,540, a 12% decrease from fiscal year 2013. Approximately 42% of the aggregate fund balance, or \$5,019,806, is unassigned and is available for appropriation by the UFA Board. Unassigned fund balance at June 30, 2014, decreased \$1,713,264 over prior year, primarily due to UFA's contributions to employees' VEBA accounts.

The remaining fund balance is not available for new spending because it has already been obligated: assigned (encumbrances of \$2,126,604 and special revenue fund balance of \$346,363), committed (compensated absences of \$907,072, retirement contributions of \$103,220, and capital acquisitions of \$1,434,500), restricted for capital acquisitions of \$996,392 or nonspendable (inventory of \$546,501 and prepaid of \$582,082).

**Business-Type Funds:** As of June 30, 2014, UFA's business-type fund net position decreased \$188,329 to \$222,676, compared to \$411,005 in 2013. The decrease was due to a slow and late start to the wildfire season in 2014. The Wildland Enterprise fund had unrestricted net position of \$221,172. The remainder of the net position is invested in capital assets and is not available for new spending.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Substantial variations in actual results compared to final budget in the general fund can be summarized as follows:

- Ambulance revenues collected did not meet budget (\$214,628 shortage) due to decreased call activity.
- Staffing vacancies as well as utilization of creative staffing methods in response to budget constraints resulted in actual salaries and benefits expenditures approximately \$1.4 million below budget.
- Management worked to control expenditures which resulted in operations and administrative expenditures nearly \$69,000 below budget.
- Due to postponement of a capital asset acquisition, UFA's capital outlay budget exceeded its actual purchases by approximately \$280,000.

# UNIFIED FIRE AUTHORITY

# ANNUAL FINANCIAL REPORT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

### GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

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

- Growth in member fee revenue for allocations added during the year totaling \$208,180 as well as a \$60,000 contract increase to incorporate equipment financing
- \$165,477 increase in grants revenue for multiple additional grants awarded for supplies and equipment
- \$210,044 increase in salaries and benefits expenditures resulting from added allocations and compensated absences pay-outs
- An increase of more than \$1.8 million in capital outlay expenditures due to grant awards received during the year and transfers from operating expenditures as well as debt service for the cash purchase of capital assets
- \$322,000 increase to capital outlay expenditures and proceeds from long-term debt for purchase of an apparatus and light truck for the Camp Williams program financed by a capital lease entered into during October 2013
- \$39,700 increase in appropriation from fund balance for compensated absences pay-outs
- \$30,565 increase in appropriation from fund balance to use prior year remaining funds for the Camp Williams program

For detailed budgetary comparison schedules, see the Required Supplementary Information section, beginning on page 35.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets:** UFA's investment in capital assets at June 30, 2014, was \$11,799,218 (net of \$36,575,202 depreciation). Capital assets increased more than \$1 million (10%) over the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2014	2013	2014	2013	2014	2013	
	Building and improvements	\$ 2,954,418	\$ 3,054,766	\$ -	\$ -	\$ 2,954,418	
Computer software & equipment	389,032	441,680	-	-	389,032	441,680	-12%
Construction in progress	188,645	220,993	-	-	188,645	220,993	-15%
Furniture & equipment	1,267,354	1,255,489	-	1,700	1,267,354	1,257,189	1%
Land & improvements	637,452	654,324	-	-	637,452	654,324	-3%
Transportation equipment	6,360,813	5,097,778	1,504	11,445	6,362,317	5,109,223	25%
	<u>\$11,797,714</u>	<u>\$10,725,030</u>	<u>\$ 1,504</u>	<u>\$13,145</u>	<u>\$11,799,218</u>	<u>\$10,738,175</u>	10%

Major capital assets for Governmental activities put in service during the year ended June 30, 2014 included:

- Four fire apparatus with an aggregate cost of \$1,868,478
- Two ambulances and a bomb truck with costs totaling \$558,243
- Light fleet vehicles purchased with a total cost of \$394,598
- Medical equipment with an aggregate cost of \$224,051
- Computer software purchased totaling \$195,091
- Communications and radio equipment with an aggregate cost of \$143,015

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

**Long-term Debt:** UFA entered into one new capital lease agreement for the purchase of a light truck and one fire apparatus with an aggregate cost of \$322,000. During the year, UFA made principal and interest payments on long-term debt totaling \$2,065,044. See Notes 9 and 10 beginning on pages 31 and 32 for more information on UFA's long-term debt.

**MANAGEMENT'S DISCUSSION AND ANALYSIS****June 30, 2014****ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The major goals of UFA's Strategic Plan are to improve emergency response, increase emergency preparedness, improve employee safety, and improve operational effectiveness.

Future station additions and remodeling plans will be the remodeling and expansion of station #113, and the construction of replacement stations in Taylorsville and Olympus Cove. Financing for these stations and staff funding will be provided by UFSA.

The UFA Board of Trustees approved the dissolution of the post-retirement medical plan effective with employees who retired after December 16, 2013. This dissolution has decreased UFA's post-retirement healthcare liabilities by more than 87%.

UFA's Finance Committee, Benefits 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 may impact budget outcomes in the future. Wages and benefits comprise approximately 78% of the overall budget.

UFA Administration is working closely with its members to develop budgets appropriate to the current economic times. UFA Administration will make appropriate recommendations for cost reductions and revenue enhancements, consistent with the fluctuations and financial pressures on our member entities.

**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.



# **BASIC FINANCIAL STATEMENTS**

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

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF NET POSITION

June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total 2014
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,965,283	\$ 239,497	\$ 12,204,780
Restricted cash and cash equivalents	1,468,458	-	1,468,458
Receivables	1,899,907	140,090	2,039,997
Inventory	546,501	-	546,501
Prepaid expense	582,082	-	582,082
Capital assets, net of depreciation	11,797,714	1,504	11,799,218
<b>TOTAL ASSETS</b>	<b>28,259,945</b>	<b>381,091</b>	<b>28,641,036</b>
<b>LIABILITIES</b>			
Accounts payable	739,088	27,174	766,262
Restricted accounts payable	472,066	-	472,066
Accrued liabilities	2,429,001	131,241	2,560,242
Noncurrent liabilities			
Due within one year	2,724,154	-	2,724,154
Due in more than one year	10,974,270	-	10,974,270
<b>TOTAL LIABILITIES</b>	<b>17,338,579</b>	<b>158,415</b>	<b>17,496,994</b>
<b>NET POSITION</b>			
Net investment in capital assets	7,852,382	1,504	7,853,886
Restricted for inventory	546,501	-	546,501
Restricted for prepaid expense	582,082	-	582,082
Unrestricted	1,940,401	221,172	2,161,573
<b>TOTAL NET POSITION</b>	<b>\$ 10,921,366</b>	<b>\$ 222,676</b>	<b>\$ 11,144,042</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, 2014

Functions/Programs	Expenses	PROGRAM REVENUES			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT:</b>					
GOVERNMENTAL ACTIVITIES:					
Fire protection services	\$ 59,455,320	\$ 58,429,742	\$ 145,780	\$ 46,215	\$ (833,583)
Emergency services	1,773,270	1,790,409	94,705	5,263	117,107
Interest on long-term debt	186,044	-	-	-	(186,044)
Total governmental activities	<u>61,414,634</u>	<u>60,220,151</u>	<u>240,485</u>	<u>51,478</u>	<u>(902,520)</u>
BUSINESS-TYPE ACTIVITIES:					
Wildland services	<u>1,519,378</u>	<u>1,330,034</u>	<u>225</u>	<u>-</u>	<u>(189,119)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 62,934,012</u>	<u>\$ 61,550,185</u>	<u>\$ 240,710</u>	<u>\$ 51,478</u>	<u>\$ (1,091,639)</u>

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total 2014
Changes in net assets:			
Net (expense) revenue	\$ (902,520)	\$ (189,119)	\$ (1,091,639)
General Revenues:			
Unrestricted net investment earnings	75,954	790	76,744
Miscellaneous	19,365	-	19,365
Rent	96,396	-	96,396
Loss on disposal of capital assets	(5,797)	-	(5,797)
Member contributions	1,391,555	-	1,391,555
Total general revenues	<u>1,577,473</u>	<u>790</u>	<u>1,578,263</u>
Changes in net position	674,953	(188,329)	486,624
Net position - beginning	10,095,797	411,005	10,506,802
Increase in inventory	<u>150,616</u>	<u>-</u>	<u>150,616</u>
Net position - ending	<u>\$ 10,921,366</u>	<u>\$ 222,676</u>	<u>\$ 11,144,042</u>

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

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2014

	MAJOR FUNDS				Total 2014
	General Fund	Special Revenue Fund	Fire Capital Projects Fund	Nonmajor Governmental Fund	
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 9,873,108	\$ 657,675	\$ 1,362,112	\$ 72,388	\$ 11,965,283
Restricted cash and cash equivalents	1,468,458	-	-	-	1,468,458
Receivables	1,697,626	42,680	-	-	1,740,306
Related party receivables	142,713	16,888	-	-	159,601
Inventory	546,501	-	-	-	546,501
Prepaid expense	582,082	-	-	-	582,082
Due from other funds	93,791	-	-	-	93,791
<b>TOTAL ASSETS</b>	<b>14,404,279</b>	<b>717,243</b>	<b>1,362,112</b>	<b>72,388</b>	<b>16,556,022</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	598,560	58,223	-	-	656,783
Restricted accounts payable	472,066	-	-	-	472,066
Related party payable	7,533	74,772	-	-	82,305
Accrued liabilities	2,353,023	38,249	-	-	2,391,272
Due to other funds	-	93,791	-	-	93,791
<b>TOTAL LIABILITIES</b>	<b>3,431,182</b>	<b>265,035</b>	<b>-</b>	<b>-</b>	<b>3,696,217</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - ambulance	797,265	-	-	-	797,265
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>4,228,447</b>	<b>265,035</b>	<b>-</b>	<b>-</b>	<b>4,493,482</b>
<b>FUND BALANCES</b>					
Nonspendable:					
Inventory	546,501	-	-	-	546,501
Prepaid expense	582,082	-	-	-	582,082
Spendable:					
Restricted for capital acquisition	996,392	-	-	-	996,392
Committed for:					
Compensated absences	907,072	-	-	-	907,072
Retirement contributions	82,131	21,089	-	-	103,220
Capital acquisitions	-	-	1,362,112	72,388	1,434,500
Assigned	2,041,848	431,119	-	-	2,472,967
Unassigned - 5% State requirement	3,115,008	-	-	-	3,115,008
Unassigned	1,904,798	-	-	-	1,904,798
<b>TOTAL FUND BALANCES</b>	<b>10,175,832</b>	<b>452,208</b>	<b>1,362,112</b>	<b>72,388</b>	<b>12,062,540</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<b>\$ 14,404,279</b>	<b>\$ 717,243</b>	<b>\$ 1,362,112</b>	<b>\$ 72,388</b>	<b>\$ 16,556,022</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, 2014

Total Fund Balances - Governmental Funds \$ 12,062,540

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	48,249,410	
Accumulated depreciation	<u>(36,451,696)</u>	11,797,714

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. 797,265

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	(37,729)	
Capital leases	(2,539,055)	
Related party note payable	(2,402,669)	
Compensated absences	(4,383,240)	
Net OPEB obligation	<u>(4,373,460)</u>	<u>(13,736,153)</u>

Net Position of Governmental Activities \$ 10,921,366

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year ended June 30, 2014

	MAJOR FUNDS				Total 2014
	General Fund	Special Revenue Fund	Fire Capital Projects Fund	Nonmajor Governmental Fund	
<b>REVENUES</b>					
Member fees	\$ 47,917,686	\$ -	\$ -	\$ -	\$ 47,917,686
Ambulance operations	6,685,372	-	-	-	6,685,372
Fees - Emergency services	-	1,790,409	-	-	1,790,409
Fees - Other	3,401,038	-	-	-	3,401,038
Grants and donations	191,995	99,968	-	-	291,963
Intergovernmental revenues	1,391,555	-	-	-	1,391,555
Reimbursements	377,810	-	-	-	377,810
Rent income	96,396	-	-	-	96,396
Investment income	67,106	1,602	7,246	-	75,954
Other income	24,343	(4,978)	-	-	19,365
<b>TOTAL REVENUES</b>	<b>60,153,301</b>	<b>1,887,001</b>	<b>7,246</b>	<b>-</b>	<b>62,047,548</b>
<b>EXPENDITURES</b>					
Current					
Salaries and benefits	47,635,549	862,958	-	-	48,498,507
Operations	8,779,615	641,631	-	-	9,421,246
General and administrative	686,021	7,483	-	-	693,504
Capital outlay	3,084,560	60,294	316,020	38,544	3,499,418
Debt service	2,065,083	-	-	-	2,065,083
<b>TOTAL EXPENDITURES</b>	<b>62,250,828</b>	<b>1,572,366</b>	<b>316,020</b>	<b>38,544</b>	<b>64,177,758</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,097,527)</b>	<b>314,635</b>	<b>(308,774)</b>	<b>(38,544)</b>	<b>(2,130,210)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from issuance of long-term debt	322,000	-	-	-	322,000
Transfers in	100,000	-	19,393	94,085	213,478
Transfers out	(19,393)	(194,085)	-	-	(213,478)
<b>Total other financing sources (uses)</b>	<b>402,607</b>	<b>(194,085)</b>	<b>19,393</b>	<b>94,085</b>	<b>322,000</b>
<b>Net change in fund balances</b>	<b>(1,694,920)</b>	<b>120,550</b>	<b>(289,381)</b>	<b>55,541</b>	<b>(1,808,210)</b>
Fund balances - beginning	11,720,136	331,658	1,651,493	16,847	13,720,134
Increase in inventory	150,616	-	-	-	150,616
<b>Fund balances - ending</b>	<b>\$ 10,175,832</b>	<b>\$ 452,208</b>	<b>\$ 1,362,112</b>	<b>\$ 72,388</b>	<b>\$ 12,062,540</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, 2014

Net Change in Fund Balances - Total Governmental funds \$ (1,808,210)

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	3,499,418	
Depreciation expense	(2,420,937)	
Disposition of capital assets	<u>(5,797)</u>	1,072,684

Net ambulance revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 47,836

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.

Issuance of long-term debt	(322,000)	
Accrued interest on long-term debt	25,849	
Repayment of long-term debt	<u>1,853,190</u>	1,557,039

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:

Increase in compensated absences	<u>(194,396)</u>	<u>(194,396)</u>
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Changes in Net Position of Governmental Activities \$ 674,953

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2014

	<u>Wildland Enterprise Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 239,497
Receivables	140,090
Current assets	<u>379,587</u>
NONCURRENT ASSETS	
Capital assets, net of depreciation	1,504
TOTAL ASSETS	<u>\$ 381,091</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 27,174
Accrued liabilities	131,241
TOTAL LIABILITIES	<u>158,415</u>
NET POSITION	
Net investment in capital assets	1,504
Unrestricted	<u>221,172</u>
TOTAL NET POSITION	<u>\$ 222,676</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, 2014**

	<u>Wildland Enterprise Fund</u>
OPERATING REVENUES	
Wildland fees, net of discounts and allowances of \$2,169	\$ 1,330,034
OPERATING EXPENSES	
Salaries and benefits	1,269,306
Operations	235,293
General and administrative	3,138
Depreciation and amortization	11,641
	<u>1,519,378</u>
TOTAL OPERATING EXPENSES	
	<u>(189,344)</u>
INCOME FROM OPERATIONS	
	<u>(189,344)</u>
NONOPERATING REVENUE	
Donations	225
Interest income	790
	<u>1,015</u>
Income before contributions and transfers	<u>(188,329)</u>
CHANGE IN NET POSITION	(188,329)
NET POSITION - BEGINNING	<u>411,005</u>
NET POSITION - ENDING	<u><u>\$ 222,676</u></u>

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

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 June 30, 2014

		Wildland Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,603,414	
Payments to vendors	(256,754)	
Payments for general and administrative expenses	(3,138)	
Payments to employees	(1,158,460)	
Employee benefits paid	(182,421)	
NET CASH USED BY OPERATING ACTIVITIES		2,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		790
NET DECREASE IN CASH AND CASH EQUIVALENTS		3,431
CASH AND CASH EQUIVALENTS - BEGINNING		235,841
CASH AND CASH EQUIVALENTS - ENDING		\$ 239,272
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating income		\$ (189,344)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization		11,641
(Increase) decrease in assets:		
Accounts receivable		273,380
Increase (decrease) in liabilities:		
Accounts payable		(21,461)
Accrued expenses		(71,575)
Net cash used by operating activities		\$ 2,641
NONCASH ACTIVITY		
Depreciation for the year ended June 30, 2014, was \$11,641.		

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

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

## 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, seven of which represent the Unified Fire Service Area and five 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, 2014, UFA members included Unified Fire Service Area (Eagle Mountain, Herriman, Midvale, Riverton, and unincorporated areas of Salt Lake County); the cities of Cottonwood Heights, Draper, Holladay, and Taylorsville; 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 sales and services. Operating expenses for enterprise funds include the cost of sales and 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, 2014

## 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.

Implementation of New GASB Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of this Statement are effective beginning in fiscal year 2015. Management has not yet determined the impact of this statement on the financial statements.

Cash and Cash Equivalents

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

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 supplies, kitchen supplies, 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.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

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 – 15 years
Building and improvements	5 – 39 years

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 2013). Accumulated sick leave is paid to employees upon retirement, at a rate of 25% of the total accumulated leave. 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.

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.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to 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.

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 capital acquisition – This component of net position consists of proceeds from issuance of long-term debt held in escrow for the purchase of 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, 2014, UFA was required to maintain \$3,115,008 (5% of fiscal year 2015 estimated 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.

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.

Reclassifications

Certain reclassifications have been made to the 2013 comparative totals in order to conform to the June 30, 2014 financial statement presentation.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

## NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30, 2014:

	Governmental Activities	Business-Type Activities	Total
Unrestricted cash - net of outstanding checks	\$ 3,323,796	\$ -	\$ 3,323,796
Public Treasurer's Investment Fund	8,641,487	239,497	8,880,984
Restricted cash and cash equivalents	1,468,458	-	1,468,458
Total cash and cash equivalents	<u>\$ 13,433,741</u>	<u>\$ 239,497</u>	<u>\$13,673,238</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, 2014, UFA's deposits had a bank balance of \$3,460,368, of which \$250,000 is insured and \$3,210,368 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.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

## 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, 2014, UFA had \$8,880,984 invested in PTIF which had a fair value of \$8,929,884. 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/>.

*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, 2014 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, 2014 consist of the following:

	General Fund	Special Revenue Fund	Total Governmental Activities	Wildland Enterprise Fund
Accounts receivable				
Due from other governments	\$ 8,979	\$ 1,786	\$ 10,765	\$ 140,090
Ambulance services	4,917,709		4,917,709	-
Accrued revenues	10,015		10,015	-
Related party receivable	142,713	16,888	159,601	-
Total accounts receivable	5,079,416	18,674	5,098,090	140,090
Grants receivable	37,244	40,894	78,138	-
Allowance for uncollectible accounts	(3,276,321)	-	(3,276,321)	-
Total Receivables	<u>\$ 1,840,339</u>	<u>\$ 59,568</u>	<u>\$ 1,899,907</u>	<u>\$ 140,090</u>

# UNIFIED FIRE AUTHORITY

# BASIC FINANCIAL STATEMENTS

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2014 are as follows:

	July 1, 2013	Additions/ Transfers In	Disposals/ Transfers Out	June 30, 2014
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 220,993	\$ -	\$ (32,348)	\$ 188,645
Land	416,277	-	-	416,277
Total capital assets not being depreciated	<u>637,270</u>	<u>-</u>	<u>(32,348)</u>	<u>604,922</u>
Capital assets being depreciated:				
Building and improvements	3,302,282	-	-	3,302,282
Computer software and equipment	1,977,573	226,148	(12,150)	2,191,571
Furniture and equipment	3,865,783	449,502	-	4,315,285
Land improvements	294,250	-	-	294,250
Transportation equipment	34,690,781	2,850,319	-	37,541,100
Total capital assets being depreciated	<u>44,130,669</u>	<u>3,525,969</u>	<u>(12,150)</u>	<u>47,644,488</u>
Less accumulated depreciation for:				
Building and improvements	(247,516)	(100,348)	-	(347,864)
Computer software and equipment	(1,535,893)	(278,796)	12,150	(1,802,539)
Furniture and equipment	(2,610,294)	(437,637)	-	(3,047,931)
Land improvements	(56,203)	(16,872)	-	(73,075)
Transportation equipment	(29,593,003)	(1,587,284)	-	(31,180,287)
Total accumulated depreciation	<u>(34,042,909)</u>	<u>(2,420,937)</u>	<u>12,150</u>	<u>(36,451,696)</u>
Total capital assets being depreciated, net	<u>10,087,760</u>	<u>1,105,032</u>	<u>-</u>	<u>11,192,792</u>
Total capital assets, net	<u>\$10,725,030</u>	<u>\$ 1,105,032</u>	<u>\$ (32,348)</u>	<u>\$11,797,714</u>
<b>Business-Type activities:</b>				
Capital assets being depreciated:				
Computer software and equipment	\$ 6,694	\$ -	\$ -	\$ 6,694
Furniture and equipment	17,000	-	-	17,000
Transportation equipment	101,316	-	-	101,316
Total assets being depreciated	<u>125,010</u>	<u>-</u>	<u>-</u>	<u>125,010</u>
Less accumulated depreciation for:				
Computer software and equipment	\$ (6,694)	\$ -	\$ -	\$ (6,694)
Furniture and equipment	(15,300)	(1,700)	-	(17,000)
Transportation equipment	(89,871)	(9,941)	-	(99,812)
Total accumulated depreciation	<u>(111,865)</u>	<u>(11,641)</u>	<u>-</u>	<u>(123,506)</u>
Total capital assets, net	<u>\$ 13,145</u>	<u>\$ (11,641)</u>	<u>\$ -</u>	<u>\$ 1,504</u>

Depreciation and amortization charged for the year ended June 30, 2014:

	Governmental Activities	Business-Type Activities
Fire protection services	\$ 2,180,183	\$ -
Emergency services	240,754	-
Wildland services	-	11,641
	<u>\$ 2,420,937</u>	<u>\$ 11,641</u>

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 5 - RETIREMENT PLANS

Plan Description

Unified Fire Authority contributes to the Local Governmental Tier 1 Noncontributory Retirement System (Noncontributory System), Local Governmental Tier 2 Contributory System (Contributory System), Public Safety Retirement System (Public Safety System) for employers with Social Security coverage, and Firefighters Retirement System (Firefighters System) for employers without Social Security coverage. All plans are cost-sharing multiple-employer defined benefit pension plans (collectively, the Systems) administered by the Utah Retirement Systems ("URS"). The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the benefits and the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (URS Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Unified Fire Authority retirement systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy

The contribution requirements are authorized by statute and specified by the URS Board. The contribution rates are the actuarially determined rates. Contribution rates for the year ended June 30, 2014 are as follows:

	<u>Member Contributions Paid by UFA</u>	<u>Employer Contributions Paid by UFA</u>
Contributory Tier 2	0%	13.99%
Noncontributory Tier 1	0%	17.29%
Public Safety System	0%	34.17%
Firefighters System Tier 1	16.71%	4.46%
Firefighters System Tier 2	0%	11.02%

Annual Pension Cost

UFA contributions were equal to the required contributions for each year. The required contributions were determined as part of the January 1, 2013, actuarial valuation using the entry age normal cost method.

UFA's contributions in dollars are as follows for the years ended June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contributory Tier 2	\$ 21,855	\$ 15,475	\$ 14,029
Noncontributory Tier 1	358,659	332,902	313,126
Public Safety System	43,034	44,951	56,938
Firefighters System Tier 1	4,175,690	4,169,355	3,928,420
Firefighters System Tier 2	1,185,897	519,120	-

The actuarial assumptions included (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases are assumed to be 3.75-10.75%, (c) 2.75% cost of living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of Utah Retirement System assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five year period. URS unfunded actuarial accrued liability is being amortized over a closed 21 year amortization period. Amortization payments are designed to remain level as a percent of payroll.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

## NOTE 6 - EMPLOYEE BENEFIT PLANS

UFA offers its full-time employees participation in a defined contribution plan created in accordance with Internal Revenue Code Section 401(k) (the "401(k) Plan"). The 401(k) Plan is administered by Utah Retirement Systems. Employees may contribute from 1% to 100% of their annual salary up to a maximum of \$17,500 for 2014 and 2013.

UFA offers all of its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 ("the 457 Plan"). The 457 Plan is administered by Utah Retirement Systems and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to UFA or its general creditors. UFA's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment.

Contributions in dollars are as follows for the fiscal years ended June 30:

	2014	2013	2012
Employee contributions - 401(k)	\$ 393,217	\$ 477,596	\$ 546,316
Employer contributions - 401(k)	256,436	207,735	165,416
Employee contributions - 457	1,364,202	1,293,455	1,275,935

## 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, 2014, UFA paid up to 80% of the retiree's health care premiums through Public Employees Health Program on a pay-as-you-go basis. The remainder is paid by the retiree. During the year ending June 30, 2014, UFA paid retiree health care premiums of \$171,076.

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.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

## 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, 2014, and changes in UFA's net OPEB obligation:

Annual required contribution	\$ 508,445
Contributions made	(390,356)
Increase in net OPEB obligation	118,089
Adjustment to OPEB obligation due to changes in plan provisions	(118,089)
Net OPEB obligation - beginning of year	4,373,460
Net OPEB obligation - end of year	<u>\$ 4,373,460</u>

The ARC, as determined by the June 30, 2012 actuarial valuation, is \$508,445. The ARC consists of two components, normal cost of \$102,481 and amortization of Unfunded Actuarial Accrued Liability (UAAL) of \$405,964. 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.

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, 2012, 2013, and 2014 are as follows:

	Annual OPEB cost	Employer Contributions	Adjustment for Changes to Plan Provisions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$1,238,171	\$ 107,336	\$ -	9%	\$5,701,750
2013	623,027	310,311	(1,641,006)	50%	4,373,460
2014	508,445	390,356	(118,089)	77%	4,373,460

Funded Status and Funding Progress

The funded status as of June 30, 2012 is as follows:

Actuarial valuation date	June 30, 2012
Actuarial Accrued liability (AAL)	\$ 4,373,460
Actuarial Value of Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 4,373,460
Funded Ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 28,030,116
UAAL as a percentage of covered payroll	16%

The present value of all benefits expected to be paid to current plan members as of June 30, 2012, is \$4,682,924. The actuarial accrued liability, which is the portion attributable to service accrued by members as of June 30, 2012, is \$4,373,460. As of June 30, 2012, 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, 2012, is 0%. The required schedule of funding progress (page 37) 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, 2012, were amortized as a level dollar over a period of 14 years. This methodology was adopted to reflect the closed nature of the plan.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

## 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 8.5% initially, reduced by decrements to a rate of 5.1% after eight 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 elect coverage prior to December 31, 2013. At the time this valuation was performed, nine members that were active as of June 30, 2012, were identified as having retired. In addition, an additional five members retired before the December 31, 2013, cutoff date.

For an updated OPEB valuation report summary for fiscal year 2015, see Note 13, Subsequent Events, on page 34.

## NOTE 8 - COMPENSATED ABSENCES

The changes in compensated absences for the year ended June 30, 2014, are as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u>
Vacation	\$ 3,783,161	\$ 2,287,470	\$ (2,079,133)	\$ 3,991,498
Sick leave	405,683	236,249	(250,190)	391,742
Total compensated absences				
(including \$1,285,818 classified as current)	<u>\$ 4,188,844</u>	<u>\$ 2,523,719</u>	<u>\$ (2,329,323)</u>	<u>\$ 4,383,240</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.

In October 2013, UFA entered into a capital lease agreement with SunTrust Equipment Finance and Lease Corporation (SunTrust) to purchase a supervisor truck and fire apparatus for its Camp Williams program totaling \$322,000.

The following is a summary of transactions affecting capital lease obligations for the fiscal year ended June 30, 2014:

	<u>Beginning</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending</u>
Capital lease obligations	\$ 3,980,252	\$ 322,000	\$ (1,763,197)	\$ 2,539,055

All capital lease payments are paid by UFA's General Fund. Under the terms of all leases, UFA will gain ownership at the time of its last lease payment.

As of June 30, 2014, assets recorded under the outstanding leases are transportation equipment having original cost of \$5,259,630, with \$1,341,221 of accumulated amortization. Amortization, included with depreciation on the financial statements, was \$373,700 for the year ended June 30, 2014. Interest on capital leases charged to expense for the year ended June 30, 2014 was \$87,937.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

## NOTE 9 - CAPITAL LEASES (CONTINUED)

Principal remaining under the leases at June 30, 2014 is as follows:

Capital lease collateralized by multiple fire apparatus, bearing interest at 3.6% with annual principal and interest payments of \$319,900 through August 2014	\$ 305,025
Capital lease collateralized by multiple fire apparatus and ambulances, bearing interest at 2.3% with annual principal and interest payments of \$987,784 through January 2016	1,908,271
Capital lease collateralized by one fire apparatus, bearing interest at 2.3% with annual principal and interest payments of \$36,919 through June 2016	71,323
Capital lease collateralized by two fire apparatus, bearing interest at 2.43% with annual principal and interest payments of \$67,564 through October 2017	254,436
	<u>\$ 2,539,055</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, 2014:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1,344,677	67,490	1,412,167
2016	1,064,072	28,195	1,092,267
2017	64,362	3,202	67,564
2018	65,944	1,620	67,564
Total minimum lease payments	<u>\$ 2,539,055</u>	<u>\$ 100,507</u>	2,639,562
Less amount representing interest			<u>(100,507)</u>
Present value of minimum lease payments (including \$1,344,677 classified as current)			<u>\$ 2,539,055</u>

## NOTE 10 - RELATED PARTY TRANSACTIONS

Unified Fire Authority received operating fees from its members in the amount of \$47,917,686 in 2014 which represents approximately 77% of total UFA governmental revenues for 2014. Of these fees, \$36,599,469 was received from the Unified Fire Service Area (UFSA), which represents approximately 76% of total member fees for the fiscal year. In addition to member fees, UFSA also paid UFA interest of \$23,643, and \$450,000 for financial management and administrative services provided by UFA during the fiscal year ended June 30, 2014.

UFA received from Salt Lake County (the County) operating fees restricted for emergency services of \$1,790,409, as well as \$3,175,714 to provide fire protection to the Canyon Recreational areas for the year ended June 30, 2014. The County also paid UFA a final \$1 million distribution for hazardous materials and investigation services, of which \$677,000 was distributed to other governmental entities within Salt Lake County.

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 no more than \$15,672. Upon commencement of payments in June 2013, the agreement bears 4% interest. UFA paid \$89,993 principal and \$98,068 interest to UFSA during the fiscal year ended June 30, 2014.

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

## NOTE 10 - RELATED PARTY TRANSACTIONS (CONTINUED)

The following is a schedule by years of future minimum payments required under the agreement as of June 30, 2014:

2015	\$ 93,659
2016	97,475
2017	101,446
2018	105,579
2019	109,881
2020-2024	620,315
2025-2029	757,403
2030-2032	516,911
	<u>\$ 2,402,669</u>

Unified Fire Authority operates under a cooperative agreement with the County for telephone services, maintenance of buildings, and personnel services. Payments for personnel services and reimbursements were \$2,820 and \$2,131, respectively. UFA paid the County for telephone services, building maintenance, and improvements totaling \$124,787 in fiscal year 2014. UFA's accounts payable at June 30, 2014 included \$77,976 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, 2014. Future minimum noncancelable lease payments under the interlocal agreement are as follows:

2015	\$ 157,892
2016	163,990
2017	163,957
2018	164,001
2019	163,848
2020-2021	245,924
	<u>\$ 1,059,612</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 contributes \$50,000 annually to USAR 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, 2014, future minimum lease receipts under the agreement are \$94,896 for the fiscal year ending June 30, 2015.

During the fiscal year ended June 30, 2014, USAR reimbursed UFA for salaries and benefits (\$715,232); rent (\$94,896); and reimbursements including utilities, improvements, maintenance, equipment costs and miscellaneous purchases (\$29,973). As of June 30, 2014, UFA's accounts receivable included \$145,948 due from USAR for salaries and benefits, as well as rent and reimbursements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2014**

**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, 2014:

Transfers In	Transfers Out		
	General Fund	Special Revenue Fund	Total
General Fund	\$ -	\$ 100,000	\$ 100,000
Fire Capital Projects Fund	19,393	-	19,393
Emergency Services Capital Projects Fund	-	94,085	94,085
<b>Total</b>	<b>\$ 19,393</b>	<b>\$ 194,085</b>	<b>\$ 213,478</b>

At June 30, 2014, the Special Revenue Fund owed the General Fund \$93,791 for administrative services, net of personnel costs.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

Purchase orders (encumbrances) as of June 30, 2014, for items ordered but not received during the fiscal year are as follows:

Year-end Encumbrances	Governmental Activities	Business-Type Activities
General Fund	\$ 2,756,271	\$ -
Wildland Enterprise Fund	-	11,539
Special Revenue Fund	84,756	-
Fire Capital Projects Fund	153,017	-
	<b>\$ 2,994,043</b>	<b>\$ 11,539</b>

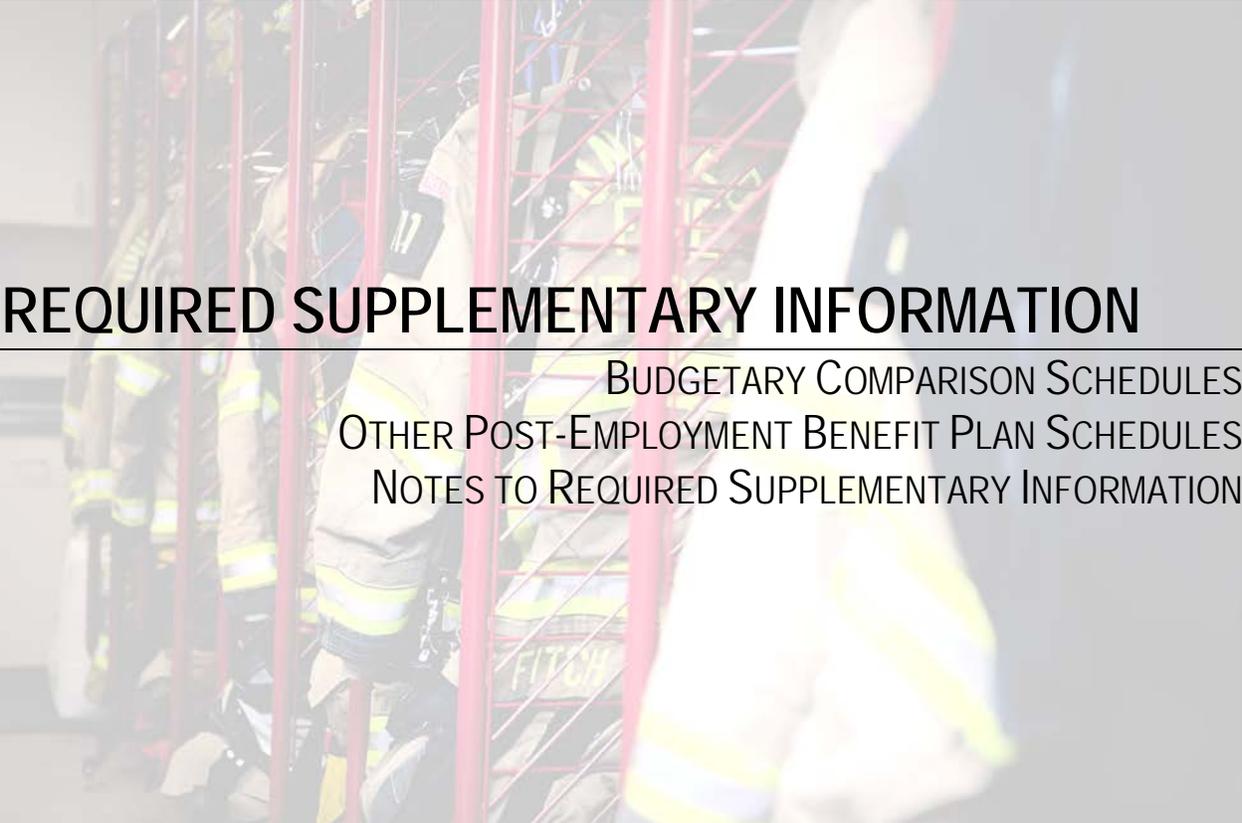
A portion of General Fund encumbrances as of June 30, 2014 (\$714,423) is included in fund balance restricted for capital acquisitions.

As of June 30, 2014, UFA did not have any pending litigation or undisclosed liabilities.

**NOTE 13 - SUBSEQUENT EVENTS**

In July 2014, UFA entered into a long-term debt agreement with Zoll Medical Corporation to finance the purchase of medical equipment and related supplies with an aggregate cost of \$770,059. The financing agreement bears 4.5% interest with annual principal and interest payments of \$203,985, beginning September 2014 through July 2017. A portion of each annual payment (\$16,576) will be reimbursed by USAR for two monitors purchased by UFA on its behalf.

In September 2014, UFA's actuaries prepared an updated OPEB Valuation Report for fiscal year 2015. The valuation takes into account the elimination of all active member liabilities for post-retirement healthcare, pursuant to the Board's resolution to eliminate subsidized Medicare supplement benefits for members retiring after June 15, 2012, and post-retirement insurance benefits for members retiring after December 31, 2013. UFA's Unfunded Actuarial Accrued Liability (UAAL) decreased from \$4,373,460 in 2012 to \$4,329,961 in 2014. The updated actuarial valuation report resulted in a reduction of UFA's annual required contribution (ARC) from \$508,445 for fiscal year 2014, to \$348,982 for fiscal year 2015. The reduction was primarily due to the elimination of employer normal cost. Projected benefit payments calculated for the actuarial valuation (including explicit and implicit subsidies) for the year beginning July 1, 2014 increased to \$435,084 from \$390,356 the previous valuation report in 2012. These subsidies may be used to offset the ARC each year, resulting in a change in UFA's UAAL.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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BUDGETARY COMPARISON SCHEDULES  
OTHER POST-EMPLOYMENT BENEFIT PLAN SCHEDULES  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**UNIFIED FIRE AUTHORITY                      REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**June 30, 2014**

	MAJOR FUNDS		Actual Amounts	Variance with
	Original	Final		Final Budget
<b>REVENUES</b>				
Member fees	\$ 47,616,506	\$ 47,884,686	\$ 47,917,686	\$ 33,000
Ambulance operations	6,900,000	6,900,000	6,685,372	(214,628)
Fees - Other	3,335,714	3,363,714	3,401,038	37,324
Grants and donations	25,000	190,477	191,995	1,518
Intergovernmental revenues	1,450,000	1,450,000	1,391,555	(58,445)
Reimbursements	436,000	436,000	377,810	(58,190)
Rent income	84,230	84,230	96,396	12,166
Investment income	65,000	65,000	67,106	2,106
Other income	18,220	18,220	24,343	6,123
<b>TOTAL REVENUES</b>	<b>59,930,670</b>	<b>60,392,327</b>	<b>60,153,301</b>	<b>(239,026)</b>
<b>EXPENDITURES</b>				
Current				
Salaries and benefits	48,835,403	49,045,447	47,635,549	1,409,898
Operations	8,850,235	8,847,194	8,794,144	53,050
General and administrative	709,220	778,238	762,822	15,416
Capital outlay	332,000	2,512,582	2,232,230	280,352
Debt service	3,695,812	2,073,738	2,065,083	8,655
<b>TOTAL EXPENDITURES</b>	<b>62,422,670</b>	<b>63,257,199</b>	<b>61,489,828</b>	<b>1,767,371</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>(2,492,000)</b>	<b>(2,864,872)</b>	<b>(1,336,527)</b>	<b>1,528,345</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of long-term debt	-	322,000	322,000	-
Transfers in	100,000	100,000	100,000	-
Transfers out	-	(19,393)	(19,393)	-
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>402,607</b>	<b>402,607</b>	<b>-</b>
Net change in fund balances	(2,392,000)	(2,462,265)	(933,920)	1,528,345
Fund balances - beginning	11,720,136	11,720,136	11,720,136	-
Decrease in inventory	-	-	150,616	150,616
<b>Fund balances - ending</b>	<b>\$ 9,328,136</b>	<b>\$ 9,257,871</b>	<b>\$ 10,936,832</b>	<b>\$ 1,678,961</b>

**UNIFIED FIRE AUTHORITY                      REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE**

**SPECIAL REVENUE FUND**

Year ended June 30, 2014

	MAJOR FUNDS		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Fees - Emergency services	\$ 1,768,993	\$ 1,789,909	\$ 1,790,409	\$ 500
Grants and donations	-	62,263	99,968	37,705
Reimbursements	-	-	-	-
Investment income	1,000	1,000	1,602	602
Other income	-	-	(4,978)	(4,978)
<b>TOTAL REVENUES</b>	<b>1,769,993</b>	<b>1,853,172</b>	<b>1,887,001</b>	<b>33,829</b>
<b>EXPENDITURES</b>				
Current				
Salaries and benefits	891,924	941,372	862,958	78,414
Operations	462,700	649,678	649,667	11
General and administrative	13,000	7,604	7,510	94
Capital outlay	-	60,433	60,294	139
<b>TOTAL EXPENDITURES</b>	<b>1,367,624</b>	<b>1,659,087</b>	<b>1,580,429</b>	<b>78,658</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>402,369</b>	<b>194,085</b>	<b>306,572</b>	<b>112,487</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(402,369)	(194,085)	(194,085)	-
<b>Total other financing sources (uses)</b>	<b>(402,369)</b>	<b>(194,085)</b>	<b>(194,085)</b>	<b>-</b>
Net change in fund balances	-	-	112,487	112,487
Fund balances - beginning	331,658	331,658	331,658	-
<b>Fund balances - ending</b>	<b>\$ 331,658</b>	<b>\$ 331,658</b>	<b>\$ 444,145</b>	<b>\$ 112,487</b>

**UNIFIED FIRE AUTHORITY                      REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POST-EMPLOYMENT BENEFITS SCHEDULES**  
**Year ended June 30, 2014**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
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 Required Contribution	Employer Contributions	Annual OPEB Cost Contributed
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%

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**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2014**

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.

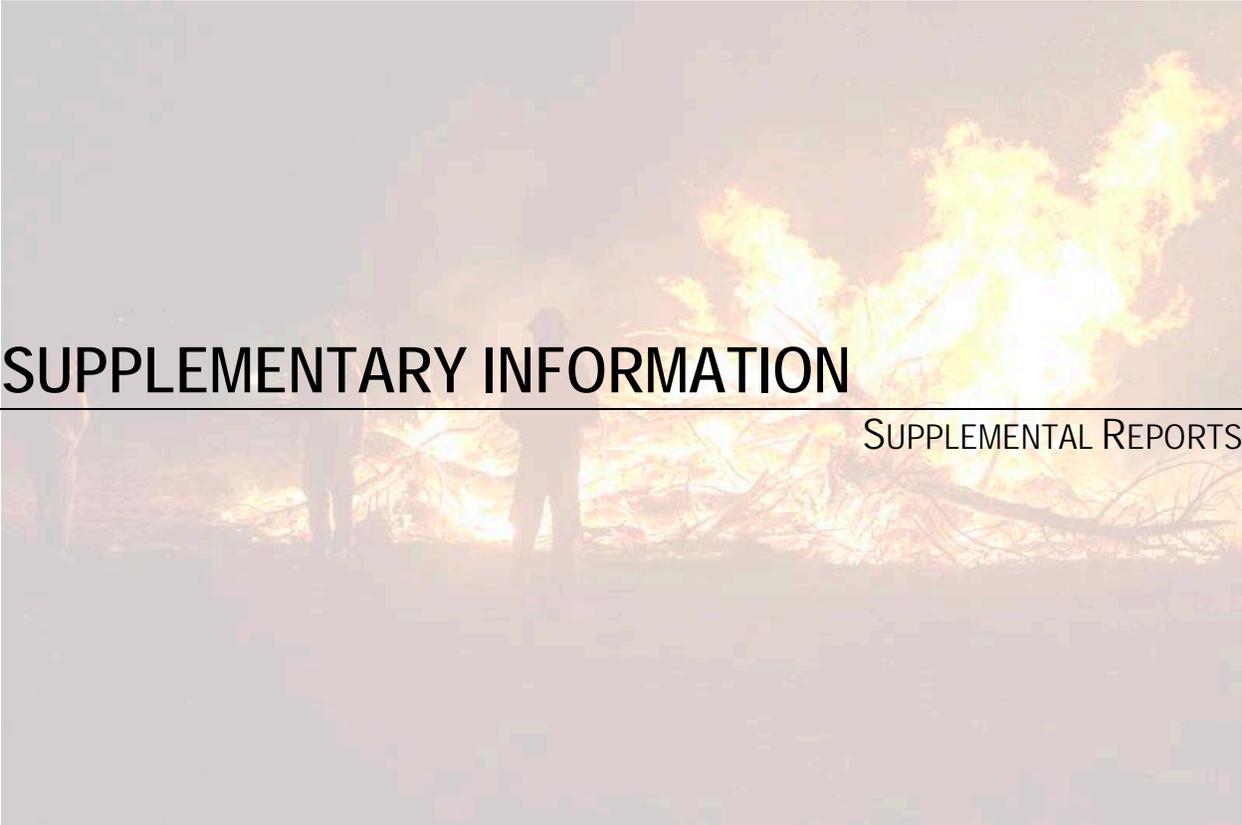
The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- By the first regularly scheduled Board meeting in May, UFA prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board of Trustees is then called for the purpose of adopting the 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, 2014 are as follows:

	General Fund	Special Revenue Fund
Budgetary Fund Balances	\$10,936,832	\$ 444,145
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	2,756,271	84,756
Encumbrances for goods and services not received until after the prior fiscal year excluded as expenditures for budgetary purposes, not GAAP	(3,517,271)	(76,693)
Total Fund Balances	\$10,175,832	\$ 452,208



# SUPPLEMENTARY INFORMATION

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SUPPLEMENTAL REPORTS



**Keddington & Christensen**  
Certified Public Accountants, LLC

Gary K. Keddington, CPA  
Phyl R. Warnock, CPA  
Marcus K. Arbuckle, CPA  
Tyson C. Beck, CPA

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

Board of Trustees  
Unified Fire Authority  
Salt Lake City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Unified Fire Authority (UFA), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise UFA's basic financial statements, and have issued our report thereon dated November 14, 2014

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UFA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UFA's internal control. Accordingly, we do not express an opinion on the effectiveness of UFA's internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Keddington & Christensen, LLC*

November 14, 2014



**Keddington & Christensen**  
Certified Public Accountants, LLC

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Gary K. Keddington, CPA  
Phyl R. Warnock, CPA  
Marcus K. Arbuckle, CPA  
Tyson C. Beck, CPA

**INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE  
WITH THE STATE COMPLIANCE AUDIT GUIDE ON:  
COMPLIANCE FOR EACH MAJOR STATE PROGRAM, AND  
INTERNAL CONTROL OVER COMPLIANCE**

Board of Trustees  
Unified Fire Authority  
Salt Lake City, Utah

**REPORT ON COMPLIANCE**

We have audited Unified Fire Authority's (UFA) compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the office of the Utah State Auditor, that could have a direct and material effect on UFA or each of its major state programs for the year ended June 30, 2014.

General state compliance requirements were tested for the year ended June 30, 2014 in the following areas:

- Transfers from Enterprise Funds
- Budgetary Compliance
- Other General Compliance Issues
- Utah Retirement Systems Compliance
- Fund Balance
- Conflicts of Interest
- Nepotism

UFA did not have any state funding classified as a major program during the year ended June 30, 2014.

**Management's Responsibility**

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on UFA's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State Compliance Audit Guide. Those standards and the State Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on UFA or its major state programs occurred. An audit includes examining, on a test basis, evidence about UFA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of UFA's compliance.

### **Opinion on General State Compliance Requirements and Each Major State Program**

In our opinion, Unified Fire Authority complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2014.

### **Other Matters**

The results of our auditing procedures did not disclose instances of noncompliance, which are required to be reported in accordance with the State Compliance Audit Guide.

### **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

We did not note a matter involving internal control over compliance which we are submitting for your consideration.

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

*Keddington & Christensen, LLC*

November 14, 2014