

**UNIFIED POLICE DEPARTMENT**

**ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2014

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## Independent Auditor's Report

Board of Directors  
Unified Police Department

### **Report on the Basic Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of Unified Police Department (UPD) as of and for the year ended June 30, 2014, and the related notes to the basic financial statements, which collectively comprise UPD's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Basic 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of Unified Police Department as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of UPD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UPD's internal control over financial reporting and compliance.



Orem, Utah  
November 17, 2014

## Management's Discussion and Analysis

As management of Unified Police Department (UPD), we offer readers of UPD's financial statements this narrative discussion, overview, and analysis of the financial activities of UPD for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements and notes.

### FINANCIAL HIGHLIGHTS

- UPD's assets exceeded liabilities by \$8.3 million at the close of the most recent fiscal year.
- During the year, expenses were \$2.5 million more than the \$63.7 million generated in member fees and other revenues for governmental activities. Last year, expenses were greater than revenues by \$0.3 million.
- As of the close of the current year, UPD's governmental fund (General Fund) reported a fund balance of \$6.9 million, a decrease of \$0.3 million compared to the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to UPD's basic financial statements. UPD's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the assets and liabilities of UPD, 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 UPD is improving or deteriorating.

The *statement of activities* presents information showing how the net position of UPD 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected member fees and unpaid compensated absences).

The government-wide financial statements of UPD are reported as *governmental activities*. UPD's law enforcement services are included here. Member fees finance most of the law enforcement service activities.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Fund financial statements** – A *fund* is a group of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. UPD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of UPD can be grouped into three fund categories: governmental, proprietary, and fiduciary.

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

UPD maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund.

UPD adopts an annual appropriated budget for its General Fund. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 16 of this report.

- **Proprietary funds.** UPD maintains one proprietary fund type. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among UPD's various objects. UPD uses one internal service fund (the Vehicle Replacement Fund) to accumulate resources for the replacement of fleet vehicles. This internal service fund is included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

- **Fiduciary fund.** UPD has one type of fiduciary fund. An *agency fund* is used to account for assets held by UPD as an agent for other governments, private organizations, or individuals such as, evidence money, civil pending forfeitures, and service fees. Since these are resources which cannot be used for UPD programs, they are not included in the government-wide statements.

The statement of fiduciary assets and liabilities can be found on page 20 of this report.

**Notes to the basic financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 31 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of UPD, assets exceeded liabilities by \$8.3 million at the close of the most recent fiscal year.

The largest portion of UPD's net position (\$9.4 million) reflects its investment in capital assets (e.g., equipment and vehicles, net of accumulated depreciation). UPD uses these capital assets to provide law enforcement services to the communities it serves; consequently, these assets are *not* available for future spending.

The remaining balance of net position is unrestricted and has a deficit of \$1.1 million at the end of the current year. This deficit is the result of having long-term commitments that are greater than available resources. Specifically, UPD has not funded certain employee benefit obligations that will come due in future years.

**UNIFIED POLICE DEPARTMENT'S Net Position**  
**June 30, 2014 and 2013**  
(in millions of dollars)

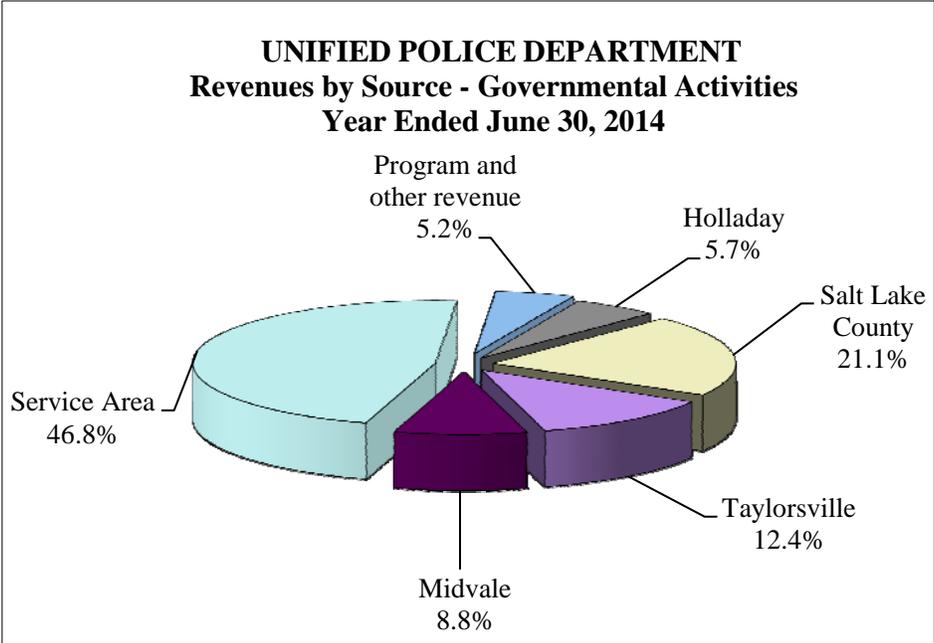
	Governmental Activities		
	2014	2013	Change 2014-2013
Current and other assets	\$ 14.0	\$ 14.4	\$ (0.4)
Capital assets	9.4	8.9	0.5
Total assets	23.4	23.3	0.1
Other liabilities	3.4	3.0	0.4
Long-term liabilities outstanding	11.7	9.5	2.2
Total liabilities	15.1	12.5	2.6
Net position:			
Invested in capital assets	9.4	8.9	0.5
Restricted	-	0.3	(0.3)
Unrestricted	(1.1)	1.6	(2.7)
Total net position	<u>\$ 8.3</u>	<u>\$ 10.8</u>	<u>\$ (2.5)</u>

**Governmental activities** – The key elements of the decrease of UPD’s net position for the year ended June 30, 2014 are as follows:

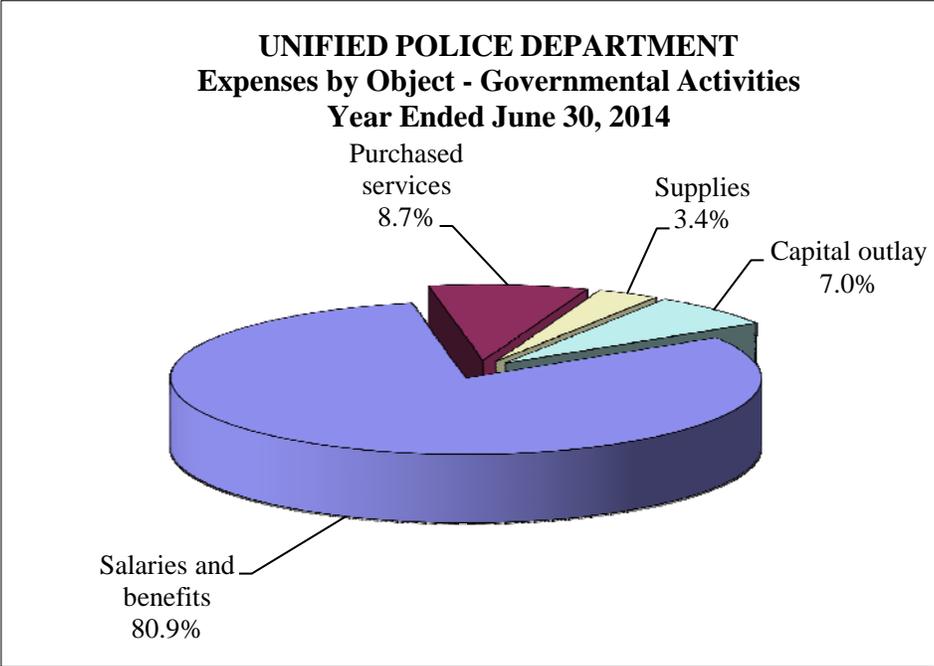
- Revenues totaled \$63.7 million for the year ended June 30, 2014, which is an increase of \$1.4 million over the prior year. The largest net dollar increase in revenues is from member fees. The \$2.1 million increase in member fees was primarily due to the costs of providing law enforcement services. The largest net dollar decrease in revenues is from charges for services of \$0.6 million. This decrease is from reduced 911 surcharge fees.
- Expenses totaled \$66.2 million during the current year, which is an increase of \$3.6 million over the prior year. This increase is largely from increased personnel and their related salaries and benefits. The decrease in UPD’s net position for the year ended June 30, 2014 was \$2.5 million.
- Member fees comprise 95.0 and 93.7 percent of UPD’s revenue used to provide law enforcement services to its members for the years ended June 30, 2014 and 2013, respectively.

**UNIFIED POLICE DEPARTMENT'S Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**  
(in millions of dollars)

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change 2014-2013</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 2.1	\$ 2.7	\$ (0.6)
Operating grants and contributions	0.9	1.0	(0.1)
General revenues:			
Member fees	60.5	58.4	2.1
Interest earned	-	0.1	(0.1)
Other revenue	0.2	0.1	0.1
Total revenues	<u>63.7</u>	<u>62.3</u>	<u>1.4</u>
<b>Expenses:</b>			
Law enforcement services	<u>66.2</u>	<u>62.6</u>	<u>3.6</u>
Changes in net position	(2.5)	(0.3)	(2.2)
<b>Net position - beginning</b>	<u>10.8</u>	<u>11.1</u>	<u>(0.3)</u>
<b>Net position - ending</b>	<u><u>\$ 8.3</u></u>	<u><u>\$ 10.8</u></u>	<u><u>\$ (2.5)</u></u>



- Salaries and benefits represent the largest dollar portion of expense of \$53.6 million or 80.9 percent of law enforcement services.



## FINANCIAL ANALYSIS OF UNIFIED POLICE DEPARTMENT'S FUNDS

As noted earlier, UPD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental fund** – The focus of UPD's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing UPD's financing requirements. At June 30, 2014, UPD's governmental fund reported a fund balance of \$6.9 million, or \$0.3 million less than the previous year. The following information on revenues and expenditures should be noted:

- Revenues for police and emergency protection services for members totaled \$60.5 million or 95.0 percent of total revenues. This is an increase of \$3.0 million over the prior year.
- Expenditures totaled \$64.0, which is an increase of \$2.0 million over the prior year.
- Salaries totaled \$33.4 million while the associated fringe benefits of retirement, social security, unemployment, and health insurance added \$18.0 million to arrive at 80.4 percent of total expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes prepaid items and deposits that are not expected to be converted to cash. *Restricted* includes net fund resources of UPD that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. *Committed* balances reflect UPD's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the General Fund are those that do not meet the requirements of committed but that are intended to be used for specific purposes. *Unassigned* balances in the General Fund are all other available net fund resources. At June 30, 2014, UPD's governmental fund balance is \$6.9 million (\$1.1 million in nonspendable, \$1.8 million in committed, \$0.6 million in assigned, and \$3.4 million in unassigned fund balances).

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the Board revised UPD's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$0.9 million in total General Fund budgeted revenues and expenditures, mostly to account for anticipated increases in police and emergency protection services for members, federal funding, and other services.

With these adjustments, actual expenditures were \$2.5 million less than final budgeted amounts. The most significant positive variances were \$1.4 million in capital outlay and \$1.2 million in salaries and benefits.

## CAPITAL ASSETS

At June 30, 2014, the majority of UPD's capital assets are fleet vehicles (\$7.7 million net of accumulated depreciation). UPD purchased \$3.0 million of vehicles in the year ended June 30, 2014.

Capital assets are outlined below:

**UNIFIED POLICE DEPARTMENT'S Capital Assets**  
**June 30, 2014 and 2013**  
(net of accumulated depreciation, in millions of dollars)

	<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u> <u>2014-2013</u>
Equipment	\$ 1.7	\$ 1.8	\$ (0.1)
Fleet vehicles	<u>7.7</u>	<u>7.1</u>	<u>0.6</u>
Total	<u>\$ 9.4</u>	<u>\$ 8.9</u>	<u>\$ 0.5</u>

Additional information on UPD's capital assets can be found in Note 3 to the basic financial statements.

**CONTACTING UPD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the finances of the Unified Police Department for all those with an interest in UPD's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Unified Police Department, 3365 South 900 West, Room 121, Salt Lake City, Utah 84119.

## **Basic Financial Statements**

**UNIFIED POLICE DEPARTMENT**  
**Statement of Net Position**  
June 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 11,675,944
Receivables	1,235,765
Prepaid items and deposits	1,119,697
Capital assets:	
Equipment, net of accumulated depreciation	1,725,534
Vehicles, net of accumulated depreciation	7,681,711
Total assets	23,438,651
<b>Liabilities:</b>	
Accounts payable	1,525,017
Accrued salaries and related benefits	1,886,803
Long-term liabilities:	
Portion due or payable within one year	1,306,697
Portion due or payable after one year	10,408,117
Total liabilities	15,126,633
<b>Net position:</b>	
Investment in capital assets	9,407,245
Restricted	30,000
Unrestricted	(1,125,227)
Total net position	\$ 8,312,018

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Statement of Activities**  
Year Ended June 30, 2014

<u>Activities / Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b>Governmental activities:</b>				
Law enforcement services	\$ 66,243,867	\$ 2,113,472	\$ 874,878	\$ (63,255,517)
	<b>General revenue:</b>			
	Member fees			60,554,308
	Interest earnings			44,542
	Contributions			52,250
	Miscellaneous			163,301
	Total general revenue			<u>60,814,401</u>
	Change in net position			(2,441,116)
	<b>Net position - beginning</b>			<u>10,753,134</u>
	<b>Net position - ending</b>			<u>\$ 8,312,018</u>

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Balance Sheet**  
**Governmental Fund**  
June 30, 2014

	<b>General</b>
<b>Assets:</b>	
Cash and investments	\$ 8,001,063
Receivables:	
Local	1,030,187
State	105,092
Federal	92,191
Prepaid items and deposits	1,119,697
Total assets	\$ 10,348,230
<b>Liabilities and fund balances:</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 1,525,017
Accrued salaries and related benefits	1,886,803
Total liabilities	3,411,820
<b>Fund balances:</b>	
<b>Nonspendable:</b>	
Prepaid items and deposits	1,119,697
<b>Restricted for:</b>	
Other purposes	30,000
<b>Committed to:</b>	
Compensated absences obligation	1,067,627
Self-insurance	750,000
<b>Assigned to:</b>	
Evidence	278,411
Forfeitures	152,942
Pager program	98,310
Unassigned	3,439,423
Total fund balances	6,936,410
Total liabilities and fund balances	\$ 10,348,230

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Reconciliation of the Balance Sheet of Governmental Fund**  
**to the Statement of Net Position**

June 30, 2014

**Total fund balances for governmental fund** \$ 6,936,410

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund. Those assets consist of:

Equipment	\$ 7,920,328	
Accumulated depreciation	<u>(6,194,794)</u>	1,725,534

An internal service fund is used by management to charge the costs of vehicle replacement to the General Fund. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.	11,364,887
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund. All liabilities (both current and long-term) are reported in the statement of net position.

Compensated absences obligation	(3,983,905)	
Claims payable	(478,139)	
Net OPEB obligation	<u>(7,252,769)</u>	<u>(11,714,813)</u>

**Total net position of governmental activities** \$ 8,312,018

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
Year Ended June 30, 2014

	<b>General</b>
<b>Revenues:</b>	
Police and emergency protection services for members	\$ 60,452,184
Licenses and fees	998,427
Other services	1,086,143
State awards	172,603
Federal awards	702,275
Forfeitures	28,902
Interest earnings	44,542
Contributions	52,250
Other	129,843
	129,843
Total revenues	63,667,169
<b>Expenditures:</b>	
Current:	
Law enforcement services:	
Salaries and benefits	51,394,323
Purchased services	5,749,621
Supplies	2,225,383
Other	157,612
Capital outlay	4,430,029
	4,430,029
Total expenditures	63,956,968
Excess of expenditures over revenues	(289,799)
<b>Other financing source</b> - Proceeds from sale of capital assets	33,458
	33,458
<b>Net change in fund balance</b>	(256,341)
<b>Fund balance - beginning</b>	7,192,751
	7,192,751
<b>Fund balance - ending</b>	\$ 6,936,410

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance of Governmental Fund to the Statement of Activities**  
Year Ended June 30, 2014

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**Net change in fund balance-total governmental fund** \$ (256,341)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, capital assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The net effect of transactions involving capital assets decreased net position in the current period.

Capital outlays	\$	453,761	
Proceeds from sale of capital assets		(33,458)	
Gain on sale of capital assets		33,458	
Depreciation expense		<u>(538,623)</u>	(84,862)

An internal service fund is used by management to charge the costs of vehicle replacement to the General Fund. The change of net position of the internal service fund are included with governmental activities. 130,351

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 governmental funds; long-term employee benefit obligations are reported in the governmental funds when paid.

Compensated absences obligation		(168,042)	
Claims payable		(323,425)	
Net OPEB obligation		<u>(1,738,797)</u>	<u>(2,230,264)</u>

**Change in net position of governmental activities** \$ (2,441,116)

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Police and emergency protection services for members	\$ 60,229,326	\$ 60,452,184	\$ 60,452,184	\$ -
Licenses and fees	776,518	824,018	998,427	174,409
Other services	929,591	1,080,684	1,086,143	5,459
State awards	175,000	175,000	172,603	(2,397)
Federal awards	510,910	813,259	702,275	(110,984)
Forfeitures	200	200	28,902	28,702
Interest earnings	30,000	30,000	44,542	14,542
Contributions	20,200	36,950	52,250	15,300
Other	18,000	119,870	129,843	9,973
Total revenues	<u>62,689,745</u>	<u>63,532,165</u>	<u>63,667,169</u>	<u>135,004</u>
<b>Expenditures:</b>				
Current:				
Law enforcement services:				
Salaries and benefits	52,386,528	52,627,733	51,394,323	1,233,410
Purchased services	5,627,334	5,566,389	5,749,621	(183,232)
Supplies	2,179,140	2,240,486	2,225,383	15,103
Other	169,852	171,602	157,612	13,990
Capital outlay	<u>5,118,914</u>	<u>5,831,255</u>	<u>4,430,029</u>	<u>1,401,226</u>
Total expenditures	<u>65,481,768</u>	<u>66,437,465</u>	<u>63,956,968</u>	<u>2,480,497</u>
Excess of expenditures over revenues	(2,792,023)	(2,905,300)	(289,799)	2,615,501
<b>Other financing sources:</b>				
Proceeds from sale of capital assets	<u>200</u>	<u>200</u>	<u>33,458</u>	<u>33,258</u>
Net change in fund balance	(2,791,823)	(2,905,100)	(256,341)	2,648,759
<b>Fund balance - beginning</b>	<u>7,192,751</u>	<u>7,192,751</u>	<u>7,192,751</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 4,400,928</u>	<u>\$ 4,287,651</u>	<u>\$ 6,936,410</u>	<u>\$ 2,648,759</u>

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
June 30, 2014

	<b>Governmental Activities - Internal Service Fund</b>
	<b>Vehicle Replacement</b>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 3,674,881
Accounts receivable	8,295
Total current assets	3,683,176
Noncurrent assets:	
Capital assets:	
Fleet vehicles	13,298,753
Accumulated depreciation	(5,617,042)
Total noncurrent assets	7,681,711
Total assets	11,364,887
<b>Net position:</b>	
Investment in capital assets	7,681,711
Unrestricted	3,683,176
Total net position	\$ 11,364,887

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
Year Ended June 30, 2014

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	<u><b>Governmental Activities - Internal Service Fund Vehicle Replacement</b></u>
<b>Operating revenues:</b>	
Charges for services - vehicle replacement fees	\$ 2,394,622
<b>Operating expenses:</b>	
Purchased property services	639,207
Depreciation	<u>1,727,188</u>
Total operating expenses	<u>2,366,395</u>
Operating income	28,227
<b>Nonoperating revenues:</b>	
Gain on sale of capital assets	<u>102,124</u>
Change in net position	130,351
<b>Net position - beginning</b>	<u>11,234,536</u>
<b>Net position - ending</b>	<u><u>\$ 11,364,887</u></u>

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fund Cash Flows**  
**Proprietary Fund**  
Year Ended June 30, 2014

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	<b>Governmental Activities - Internal Service Fund <u>Vehicle Replacement</u></b>
<b>Cash flows from operating activities:</b>	
Receipts for interfund services provided	\$ 2,394,622
Payments to vendors	<u>(639,207)</u>
Net cash provided by operating activities	1,755,415
<b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	(2,958,245)
Proceeds from sale of capital assets	<u>708,364</u>
Net cash used by capital and related financing activities	<u>(2,249,881)</u>
Net change in cash and cash equivalents	(494,466)
<b>Cash and cash equivalents - beginning</b>	<u>4,169,347</u>
<b>Cash and cash equivalents - ending</b> (displayed on the statement of fund net position as <i>cash and investments</i> )	<u><u>\$ 3,674,881</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 28,227
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	<u>1,727,188</u>
Net cash provided by operating activities	<u><u>\$ 1,755,415</u></u>
No noncash investing, capital, and financing activities.	

The notes to the basic financial statements are an integral part of this statement.

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
June 30, 2014

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**ASSETS:**

Cash and investments	\$ 230,073
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**LIABILITIES:**

Deposits held for others:

Evidence	\$ 8,971
Pending forfeiture	208,091
Civil service fees	13,011
Total liabilities	<u>\$ 230,073</u>

The notes to the basic financial statements are an integral part of this statement.

# UNIFIED POLICE DEPARTMENT

## Notes to Basic Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Unified Police Department (UPD) are in conformity with accounting principles generally accepted in the United States of America applicable to local governmental units. The following is a summary of the more significant accounting policies applied by UPD.

**The Reporting Entity** – UPD was formed on September 3, 2009 and was established under an interlocal agreement to provide police and emergency protection services to its members' jurisdictions. Operations began January 1, 2010. The Board of Directors, comprised of a mayor from each member city, Salt Lake County Mayor, and two members from the Salt Lake County Council, is the primary governing authority for UPD. The Board establishes policies, approves the budget, and appoints officials with responsibilities for administering all police activities and fiscal matters of UPD. UPD serves the cities and communities of Herriman, Holladay, Midvale, Riverton, Taylorsville, and the unincorporated areas of Salt Lake County and performs county-wide functions for the whole Salt Lake County.

**Government-wide Financial Statements** – The *statement of net position* and the *statement of activities* report information on all of the nonfiduciary activities of UPD. Fiduciary activities are reported only in the fund financial statements. As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements (e.g. internal service fund activity and indirect cost charges to programs).

While separate government-wide and fund financial statements are presented, they are interrelated. Governmental activities incorporate data from the governmental fund and the internal service fund.

The statement of activities presents the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Depreciation expense for capital assets specifically identified with a function is included in its direct expenses. Program revenues include: a) charges to members and other governmental units who purchase, use, or directly benefit from services or privileges provided by a given program, and b) grants and contributions that are restricted to meeting the operating requirements of a particular program. All member fees, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Fund Financial Statements** – The fund financial statements provide information about UPD's funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented, even though the latter are excluded from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Vehicle Replacement Fund (internal service fund) are charges to the General Fund for vehicle use. Operating expenses for the internal service fund include vehicle modification and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

UPD reports the following major governmental fund:

- **General Fund.** The General Fund is UPD's primary operating fund. It accounts for all financial resources of UPD, except those required to be accounted for in another fund.

## UNIFIED POLICE DEPARTMENT

### Notes to Basic Financial Statements

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Additionally, UPD reports the following fund types:

- **Internal Service Fund.** The Vehicle Replacement Fund (a proprietary fund) is the only internal service fund used by UPD and accounts for the activities associated with UPD's replacement of fleet vehicles. Fees are charged to UPD's General Fund to cover anticipated costs.
- **Agency Fund.** The Agency Fund (a fiduciary fund) is used to account for assets held by UPD as a custodian for other governments, private organizations, or individuals, such as, evidence money, pending forfeitures, and civil service fees.

**Net Position/Fund Balance Classifications** – The residual of all other elements presented in a statement of net position is *net position* on the government-wide and proprietary fund financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: investment in capital assets (capital assets net of related debt), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

The governmental fund financial statement presents fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which UPD is bound to honor them. UPD first determines and reports nonspendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

- **Nonspendable.** This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- **Restricted.** This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- **Committed.** This category includes amounts that can only be used for specific purposes established by formal action of UPD's Board of Directors. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the Board of Directors. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned.** This category includes General Fund balance amounts that UPD intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of UPD's administration.
- **Unassigned.** Residual balances in the General Fund are classified as unassigned.

**Net Position/Fund Balance Flow Assumption** – Sometimes UPD will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

## UNIFIED POLICE DEPARTMENT

### Notes to Basic Financial Statements

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- **Net Position** – It is UPD’s policy to consider restricted net position to have been depleted before unrestricted net position.
- **Fund Balance** – It is UPD’s policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Measurement Focus and Basis of Accounting** – The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and are reported using 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

The 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, UPD considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, net other postemployment benefits (OPEB), and claims related to workers’ compensation obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Charges for services, fees, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**Budgets and Budgetary Accounting** – UPD operates within budget requirements as specified by Utah law. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Vehicle Replacement Fund (internal service fund). The budget for the Vehicle Replacement Fund is not legally required for budgetary control; this budget is for management purposes. All annual appropriations lapse at fiscal year-end. These financial reports reflect the following budgetary standards:

- For the fiscal year beginning July 1, the fiscal officer prepares a proposed budget for all funds which is presented to the Board of Directors on or before June 1.
- After a public hearing is held, the Board of Directors, by resolution, legally adopts the final budget no later than June 22.
- Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the fiscal officer; however, increases in

**UNIFIED POLICE DEPARTMENT**  
**Notes to Basic Financial Statements**

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appropriations at the overall fund level require a public hearing prior to amending the budget. In accordance with Utah State law and with Board policy, administration may make interim adjustments from one appropriation (at the program, function, or object level) to another within any given fund without seeking the immediate approval of the Board. The Board approves these changes later in the year.

- The total budgeted expenditures of a given fund may not exceed the expected revenues for the fiscal year plus the fund balance. Control of the budget is exercised at the overall fund level.
- Interim adjustments in estimated revenue and appropriations during the year ended June 30, 2014 are included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the departmental level; UPD has one department: law enforcement services.

**Cash and Cash Equivalents** – For the *statement of fund cash flows* for the proprietary fund, UPD’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition, including investments in the Utah Public Treasurers’ Investment Fund.

**Receivables** – Receivables consists of amounts due to UPD from federal, state, and local sources. UPD considers all amounts due to be fully collectible and has not established an allowance for doubtful accounts at June 30, 2014.

**Capital Assets** – All purchased equipment or vehicles costing more than \$5,000 are capitalized and reported at cost or estimated historical cost in the proprietary fund and government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized in the financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets allocated from member cities are recorded at book value net of accumulated depreciation which approximates fair value. UPD does not purchase nor construct infrastructure (public domain) assets. Governmental activity capital assets are recorded as expenditures in the governmental fund financial statements at the time of purchase or construction. Depreciation is provided on capital assets using the straight-line method over their estimated useful lives as follows:

Equipment	3 to 10 years
Vehicles	5 to 10 years

**Long-term Liabilities** – In the government-wide financial statements, compensated absences, net OPEB obligations, and claims are reported as long-term liabilities in the statement of net position.

**Reclassifications** – Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

**UNIFIED POLICE DEPARTMENT**  
**Notes to Basic Financial Statements**

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**2. DEPOSITS AND INVESTMENTS**

A reconciliation of cash and investments at June 30, 2014, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 4,870,313
Carrying amount of investments	7,035,704
Total cash and investments	\$ 11,906,017
Governmental fund cash and investments	\$ 8,001,063
Proprietary fund cash and investments	3,674,881
Governmental activity cash and investments	11,675,944
Agency fund cash and investments	230,073
Total cash and investments	\$ 11,906,017

UPD complies with the State Money Management Act (*Utah Code*, Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling its depository and investing transactions. UPD funds are deposited in qualified depositories as defined by the Act. The Act also authorizes UPD to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. UPD considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

**Deposits** – At June 30, 2014, UPD had the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Total deposits	\$ 4,870,313	\$ 5,245,029	\$ 250,000

- **Custodial Credit Risk** – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. UPD does not have a formal deposit policy for custodial credit risk other than complying with the Act. At June 30, 2014, all of UPD's bank deposits were insured and uncollateralized. No deposits are collateralized nor are they required to be by state statute.

**Investments** – At June 30, 2014, UPD had \$7,035,704 invested with the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of

**UNIFIED POLICE DEPARTMENT**  
**Notes to Basic Financial Statements**

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money market securities held by the Utah State Treasurer, including investment-grade corporate notes, top-tier commercial paper, money market mutual funds, and certificates of deposit. The portfolio has a weighted average maturity of 66 days. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, is as follows:

	Balance at June 30, 2013	Increases	Decreases	Balance at June 30, 2014
<b>Governmental activities</b>				
Capital assets being depreciated:				
Equipment	\$ 7,486,946	\$ 453,761	\$ (20,379)	\$ 7,920,328
Fleet vehicles	12,928,249	2,958,245	(2,587,741)	13,298,753
Total capital assets being depreciated	20,415,195	3,412,006	(2,608,120)	21,219,081
Accumulated depreciation for:				
Equipment	(5,676,550)	(538,623)	20,379	(6,194,794)
Fleet vehicles	(5,871,354)	(1,727,188)	1,981,500	(5,617,042)
Total accumulated depreciation	(11,547,904)	(2,265,811)	2,001,879	(11,811,836)
Total capital assets being depreciated, net	\$ 8,867,291	\$ 1,146,195	\$ (606,241)	\$ 9,407,245

Depreciation expense for the year ended June 30, 2014 was charged to functions of UPD as follows:

<b>Governmental activities:</b>	
Law enforcement services	\$ 538,623
Depreciation on capital assets of the internal service fund charged to the various functions based on their usage of the assets	1,727,188
Total depreciation expense - governmental activities	\$ 2,265,811

**UNIFIED POLICE DEPARTMENT**  
**Notes to Basic Financial Statements**

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**4. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2014, is as follows:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Portion Due Within One Year
<b>Governmental activities:</b>					
Compensated absences obligation	\$ 3,815,863	\$ 4,759,165	\$ (4,591,123)	\$ 3,983,905	\$ 1,067,627
Claims payable	154,714	571,436	(248,011)	478,139	239,070
Net OPEB obligation	5,513,972	1,782,910	(44,113)	7,252,769	-
Total governmental activity long-term liabilities	<u>\$ 9,484,549</u>	<u>\$ 7,113,511</u>	<u>\$ (4,883,247)</u>	<u>\$ 11,714,813</u>	<u>\$ 1,306,697</u>

**Compensated Absences** – UPD accrues vacation for all full-time employees. Employees accrue between 12 and 24 vacation days each year depending upon length of service with UPD, generally limited to a maximum number of days earned for one year. UPD is liable to the employee for days earned but not taken. If an employee terminates, then payment is made; otherwise, scheduled vacation time off is allowed. Sick leave is accrued for only those employees that qualify for state retirement and in accordance with UPD policy; only twenty-five percent of the value of the sick leave accumulation is accrued. UPD estimates these obligations at June 30, 2014 to be \$3,983,905. These obligations will be paid by the General Fund.

See Note 6 and Note 8 to the basic financial statements for a discussion regarding UPD’s obligation for other postemployment benefits and claims payable.

**5. STATE RETIREMENT PLANS**

**Defined Benefit Plans** – UPD contributes to the Public Safety and Local Governmental Division cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS) and Plans (the System).

The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of *Utah Code* Title 49. The Utah State Retirement and Insurance Benefit Act in Title 49 provides for the administration of the System under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. 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.

The contribution requirements of the System are authorized by state statute and specified by the Utah State Retirement Board. UPD’s required contribution rates (actuarially determined) to the System for the year ended June 30, 2014 range from 5.58% to 32.20% of covered salaries.

For the years ended June 30, 2014, 2013, and 2012, UPD contributed \$7,578,544, \$7,398,504 and \$5,941,396, respectively, to the System. Contributions were paid during the year or shortly thereafter.

## UNIFIED POLICE DEPARTMENT

### Notes to Basic Financial Statements

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**Defined Contribution Plans** – UPD participates in a deferred compensation plan, under Internal Revenue Code Section 401(k), to supplement retirement benefits accrued by participants in the System. During the year ended June 30, 2014, UPD contributions for participating employees ranged from 1.59% to 10.00% of covered salaries based on the plan within the System.

Employees participating in the System can make additional contributions up to specified limits. For the year ended June 30, 2014, UPD contributed \$2,336,601 and employee contributions totaled \$741,255. The 401(k) plan funds are fully vested to the participants at the time of deposit. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Plan assets are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

UPD also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$416,403 for the year ended June 30, 2014. The assets of the plan are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

**IRA Plans** – In addition to the defined contribution and deferred compensation plans, UPD offers its employees two tax-advantaged savings plans authorized by Internal Revenue Service Code Section 408. Employees are eligible to participate from the date of employment and are vested immediately upon participation. For the year ended June 30, 2014, employee contributions to the Roth IRA Plan were \$50,838 and employee contributions to the Traditional IRA Plan were \$2,410. The assets of the plans are administered and held by URS and the URS has the authority to establish or amend contribution requirements and other plan provisions.

#### 6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

**Plan Description** – In addition to the pension benefits described in Note 5, UPD provides postemployment health care through a single-employer defined benefit plan, to all employees who retire from UPD and qualify to retire from the System. The benefits, benefit levels, employee contributions, and employer contributions are governed by UPD policy, and can be amended at any time. UPD participation is up to 80 percent of a single-employer premium and the premium is shared based on years of service of employees. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in UPD's General Fund.

**Funding Policy** – UPD currently pays for postemployment benefits on a “pay-as-you-go” basis.

**Annual OPEB Cost and Net OPEB Obligation** – UPD's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the employer's annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2014, UPD's annual OPEB cost (expense) is \$1,782,910.

**UNIFIED POLICE DEPARTMENT**  
**Notes to Basic Financial Statements**

The following table shows the components of UPD's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in UPD's net OPEB obligation:

Required contribution (net OPEB cost)	\$ 1,746,150
Interest on net OPEB obligation	220,559
Adjustment to annual required contribution	<u>(183,799)</u>
Annual OPEB cost (expense)	1,782,910
Contributions made	<u>(44,113)</u>
Increase in net OPEB obligation	1,738,797
Net OPEB obligation - June 30, 2013	<u>5,513,972</u>
Net OPEB obligation - June 30, 2014	<u><u>\$ 7,252,769</u></u>

UPD'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, 2014, 2013, and 2012 are as follows:

Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 1,518,942	\$ 53,047	3.5%	\$ 3,833,111
2013	1,771,704	90,843	5.1%	5,513,972
2014	1,782,910	44,113	2.5%	7,252,769

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2014 (the date of the most recent actuarial valuation) is as follows:

Actuarial accrued liability (AAL)	\$ 14,645,468
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 14,645,468</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 29,985,280
UAAL as a percentage of covered payroll	48.8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the

## **UNIFIED POLICE DEPARTMENT**

### **Notes to Basic Financial Statements**

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types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 3.8 percent after nine years. Covered payroll included a 3.5 percent inflation assumption. The actuarial value of assets was not determined as UPD has not advance funded its obligation. The UAAL is being amortized as a level percentage of payroll over an open thirty-year period.

#### **7. COMMITMENTS**

UPD is committed under operating leases for buildings that were formerly obligations of Salt Lake County. Monthly rent is \$2,542 for the Magna building and the lease expires on July 31, 2018. Monthly rent is \$25,092 for the Sheriff's building and expires by the earlier of December 31, 2060, Salt Lake County withdraws as a member of UPD, UPD builds its own building, or UPD enters into a new building lease due to growth. This lease and its provisions will be renewed every five years. Monthly rent is \$6,641 for the Kearns building and is a month-to-month lease. Monthly rent is \$8,449 for the Holladay building and is a month-to-month lease. Monthly rent is \$2,992 for the Riverton building and is a month-to-month lease.

#### **8. RISK MANAGEMENT**

UPD maintains insurance coverage for general, automobile, employment practices, law enforcement and public officials' errors and omissions liability. UPD is self-insured up to \$250,000 per occurrence and maintains an excess liability policy through the States Self-Insurers Risk Retention Group, Inc. (States) up to \$4,000,000 per occurrence and \$4,000,000 aggregate. States is a member-owned company providing excess liability coverage for public entities around the country. States operates as a risk retention group under the Federal Risk Retention Act and is structured similarly to a well-established, highly regulated national pool. They are domiciled in Vermont and registered in 44 states, including Utah.

UPD maintains a treasurer's bond in the amount of \$1,500,000.

UPD leases the buildings it occupies. The contents are insured against all insurable risks of direct physical loss or damage with a \$100,000 deductible per occurrence.

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. UPD is self-insured for worker's compensation, auto liability, and general liability claims up to \$750,000 per incident. UPD maintains an excess workers compensation policy with New York Marine and General Insurance Company to the statutory maximums for workers compensation and \$1,000,000 for employer's liability. Worker's compensation, auto liability, and general liability claims are processed by a third party administrator.

UPD has established a \$750,000 commitment of fund balance for either claims outstanding or for claims incurred but not reported (IBNR) for its workers' compensation obligation. The unpaid claims are included as long-term liabilities in the government-wide financial statements. Liabilities are based on the estimated ultimate cost of settling claims using past experience adjusted for current trends. This liability is UPD's best estimate based on available information. There were 56 cases that occurred prior to June 30, 2014,

**UNIFIED POLICE DEPARTMENT**  
**Notes to Basic Financial Statements**

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which have not been resolved. These obligations will be paid by the General Fund. Changes in the balances of claims liabilities during the years ended June 30, 2014 and 2013 are listed as follows:

	<u>2014</u>	<u>2013</u>
Unpaid claims at beginning of year	\$ 154,714	\$ -
Incurred claims	571,436	474,349
Claims paid	<u>(248,011)</u>	<u>(319,635)</u>
Unpaid claims at end of year	<u>\$ 478,139</u>	<u>\$ 154,714</u>

Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

**9. LITIGATION**

At certain times, claims or lawsuits are pending in which UPD is involved. All outstanding claims are within liability coverage limits; UPD's counsel and insurance carriers estimate that UPD's potential obligations resulting from such claims or litigation would not significantly affect the financial statements of UPD.

**UNIFIED POLICE DEPARTMENT**  
**Schedule of Funding Progress**  
**Other Postemployment Benefit Plan**  
Year Ended June 30, 2014

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	\$ 15,256,641	\$ 15,256,641	0%	\$ 21,641,422	70.5%
6/30/2012	-	17,364,592	17,364,592	0%	27,962,355	62.1%
6/30/2014	-	14,645,468	14,645,468	0%	29,985,280	48.8%

The AAL was significantly lowered as reported in the June 30, 2014 actuarial valuation due to the retiree having to pay for the full surcharge amount charged by the plan. This surcharge was previously assumed to be split between the retiree and UPD.

**UNIFIED POLICE DEPARTMENT**

**COMPLIANCE REPORTS**

Year Ended June 30, 2014

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**UNIFIED POLICE DEPARTMENT**  
**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2014

Federal Grantor Agency / Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Project Name	Project Period	Receivable (Unearned) June 30, 2013	Received	Expended	Receivable (Unearned) June 30, 2014
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
Direct Programs:								
U.S. Forest Service	10.xxx	11-LE-11041914-050	Canyon Patrolling	10/01/12-09/30/13	\$ 1,139	\$ 14,142	\$ 18,680	\$ 5,677
<b>U.S. DEPARTMENT OF JUSTICE</b>								
Direct Programs:								
Equitable Sharing Program	16.922	UT0180000	Justice Forfeiture Funds	07/01/13-06/30/14	-	186	186	-
Equitable Sharing Program	16.922	UT0180000	Treasury Forfeiture Funds	07/01/13-06/30/14	-	110,295	110,295	-
Bulletproof Vest Partnership Program	16.607	OMB 1121-0235	Bullet Proof Vest Grant	04/01/06-10/31/12	6,752	6,752	5,013	5,013
Public Safety Partnership and Community Policing Grants - Recovery Act	16.710 ^	2010UMWX0324	COPS Grant	09/01/10-08/31/13	250,037	250,037	-	-
Recovery Act - Internet Crimes against Children Task Force Program (ICAC)	16.800 ^	UPD10023C	US DOJ OJJDP	07/01/13-06/30/14	-	14,667	16,060	1,393
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	2012-DN-BX-K029	2013 JAG	10/01/12-03/31/14	56,303	157,098	145,870	45,075
Organized Crime Drug Enforcement Task Force	16.xxx	WC UT 150	OCDETF	02/01/13-09/30/14	-	3,412	4,124	712
Passed through State of Utah Office of Crime Victim Reparations:								
Crime Victim Assistance	16.575	12-VOCA-64	UPD VOCA	07/01/12-06/30/13	16,721	16,721	-	-
Crime Victim Assistance	16.575	12-VOCA-67	UPD VOCA	07/01/12-06/30/13	15,343	15,343	-	-
Crime Victim Assistance	16.575	13-VOCA-69	UPD VOCA	07/01/13-06/30/14	-	119,778	119,985	207
Violence Against Women Formula Grants - Recovery Act	16.588 ^	12-VAWA-33	UPD VAWA	01/01/13-12/31/13	20,598	44,445	23,847	-
Violence Against Women Formula Grants - Recovery Act	16.588 ^	11-VAWA-55	UPD VAWA	07/01/13-03/01/14	-	5,337	10,860	5,523
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	OVW-2013-3397	GTEAP	10/25/13-06/30/14	-	14,886	15,631	745
Passed through State of Utah Department of Highway Safety:								
Enforcing Underage Drinking Laws Program	16.727	JJP2011J1113	Canyon Alcohol Enforcement	06/01/11-06/15/13	1,437	12,754	11,317	-
Enforcing Underage Drinking Laws Program	16.727	HS-UPD-2013-00053(4)	Canyon Alcohol Enforcement	06/01/13-09/30/13	-	5,000	5,000	-
Passed through State of Utah Department of Public Safety:								
U.S. Marshals Service	16.xxx	EC-UT-110	Metro Narcotics Task Force	10/01/07-06/30/14	1,044	12,318	12,741	1,467
Passed through Taylorsville City:								
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2013-DJ-BX-0341	Taylorsville JAG	10/01/12-09/30/16	-	9,546	9,687	141
Total U.S. Department of Justice					368,235	798,575	490,616	60,276
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>								
Passed through State of Utah Highway Safety Office:								
Safety Data Improvement Program	20.234	UHSO	Crash Data Reporting Software	06/25/13-08/01/13	-	96,000	96,000	-
State and Community Highway Safety**	20.600	OP070417	Click it or Ticket	07/01/13-06/30/14	-	2,940	2,940	-
Alcohol Impaired Driving Countermeasures Incentive Grants I**	20.601	K8120305	DUI Blitz	05/25/13-06/02/13	-	7,828	11,957	4,129
National Priority Safety Programs	20.616	PT09-01-05	Impaired Driving Countermeasures	07/01/13-06/30/14	-	40,147	40,147	-
Total U.S. Department of Transportation					-	146,915	151,044	4,129
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>								
Direct Programs:								
Utah Financial Crimes Task Force-USSS	16.xxx	UPD13009C	ID Theft Task Force	06/11/13-06/30/14	-	6,748	7,094	346
State and Local Overtime Reimbursement Program - ICE	16.xxx	UPD12013C	SLOT/ICE	07/01/13-06/30/14	-	1,730	1,730	-
Passed through State of Utah Department of Public Safety:								
Homeland Security Grant Program	97.067	DES-2012-SHSP	Monopad Display	10/01/12-03/31/14	-	9,800	30,890	21,090
Map Modernization Management Support	97.070	DOJ-2010-SHSP	2009-DJ-BX-0246	04/25/11-04/24/13	5,183	5,183	-	-
Map Modernization Management Support	97.070	DOJ-2011-SHSP	2010-DJ-BX-0246	09/01/11-08/31/14	3,617	3,617	-	-
Map Modernization Management Support	97.070	2010 UASI	2010 Homeland Security UASI	01/01/11-07/31/13	172,728	172,728	-	-
Total U.S. Department of Homeland Security					181,528	199,806	39,714	21,436
<b>Total federal awards</b>					<b>\$ 550,902</b>	<b>\$ 1,159,438</b>	<b>\$ 700,054</b>	<b>\$ 91,518</b>

\* JAG Program Cluster

\*\* Highway Safety Cluster

^ Indicates program is funded by Recovery Act

See notes to schedule of expenditures of federal awards

**UNIFIED POLICE DEPARTMENT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**Note A. General** – The schedule of expenditures of federal awards presents the activity of all federal award programs of Unified Police Department (UPD). UPD reporting entity is defined in Note 1 to UPD’s basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule.

**Note B. Basis of Accounting** – The accompanying schedule of expenditures of federal awards is reported using the modified accrual basis of accounting for awards received by governmental funds as described in Note 1 to UPD’s basic financial statements.

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as unearned revenue.

**Note C. Relationship to UPD’s Financial Statements** – UPD received Joint Law Enforcement Operations (JLEO) grant monies through the U.S. Marshals Service. This federal grant is not classified as federal financial assistance. A reconciliation of federal revenue as reported on UPD’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2014 is as follows:

General fund	\$ 702,275
Joint Law Enforcement Operations (JLEO) grant monies received through U.S. Marshals Service	<u>(2,221)</u>
Total federal revenue reported on the schedule of expenditures of federal awards	<u>\$ 700,054</u>



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors  
Unified Police Department

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 general fund, and the aggregate remaining fund information of Unified Police Department (UPD), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise UPD's basic financial statements, and have issued our report thereon dated November 17, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UPD'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 UPD's internal control. Accordingly, we do not express an opinion on the effectiveness of UPD'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 UPD'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 UPD's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UPD's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aquino & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah  
November 17, 2014



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Board of Directors  
Unified Police Department

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Unified Police Department (UPD) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of UPD’s major federal programs for the year ended June 30, 2014. UPD’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of UPD’s major federal programs based on our audit of the types of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UPD’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UPD’s compliance.

***Opinion on Each Major Federal Program***

In our opinion, UPD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of UPD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UPD's internal control over compliance with the types of requirements

that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 UPD'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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program 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 type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Unified Police Department as of and for the year ended June 30, 2014, and have issued our report thereon dated November 17, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Agui & Company, PC*

Orem, Utah  
November 17, 2014

**UNIFIED POLICE DEPARTMENT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2014

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No matters were reported in the prior year audit.

**UNIFIED POLICE DEPARTMENT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2014

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I. Summary of auditor's results:

*Financial Statements*

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified?      \_\_\_ yes      X no

-Significant deficiencies identified that are  
not considered to be material weaknesses?      \_\_\_ yes      X none reported

Noncompliance material to financial statements noted?      \_\_\_ yes      X no

*Federal Awards*

Internal control over major programs:

-Material weaknesses identified?      \_\_\_ yes      X no

-Significant deficiencies identified that are  
not considered to be material weaknesses?      \_\_\_ yes      X none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported  
in accordance with section 510(a) of Circular A-133?      \_\_\_ yes      X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.820	Postconviction Testing of DNA Evidence to Exonerate the Innocent
20.234	Safety Data Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?      X yes      \_\_\_ no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



Independent Auditor's Report on Each General  
State Compliance Requirement Tested and Report on  
Internal Control Over Compliance in Accordance with  
the *State Compliance Audit Guide*

Board of Directors  
Unified Police Department

**Report on Each General State Compliance Requirement Tested**

We have audited the compliance of Unified Police Department (UPD) with the general state compliance requirements described in the *State Compliance Audit Guide* applicable to UPD for the year ended June 30, 2014.

General state compliance requirements tested for the year ended June 30, 2014 are identified as follows:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Interlocal Agreement Entities
- Government Records Access Management Act (GRAMA)
- Open and Public Meetings Act

UPD did not receive any major state funding during the year ended June 30, 2014.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on UPD'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*, issued by the Office of the Utah State Auditor. 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 a general state compliance requirement occurred. An audit includes examining, on a test basis, evidence about UPD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each general state compliance requirement tested. However, our audit does not provide a legal determination of UPD's compliance.

### ***Opinion on Each General State Compliance Requirement Tested***

In our opinion, Unified Police Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each general compliance requirement tested for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described below. Our opinion on compliance is not modified with respect to these matters.

*Trainings* – We noted that the annual trainings for UPD’s governing body on the Open and Public Meetings Act were not completed for the current year as required by *Utah Code 52-4-104*. We recommend that required trainings be identified and completed.

*Management’s Response* – We appreciate your recommendations. We will review these items and make changes as necessary.

UPD’s response to the noncompliance findings identified in our audit is described above. UPD’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of UPD is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered UPD’s internal control over compliance with the state requirements that could have a direct and material effect on each general state compliance requirement tested to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each general state compliance requirement tested 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 UPD’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 state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over 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.

*Agui & Company, PC*

Orem, Utah  
November 17, 2014