UNIFIED POLICE DEPARTMENT

Basic Financial Statements
and Reports in Accordance with
*Government Auditing Standards* and the
*State of Utah Legal Compliance Audit Guide*

Year Ended June 30, 2011
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<td>31</td>
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</tbody>
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Independent Auditor’s Report

Board of Directors
Unified Police Department

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, 2011, which collectively comprise UPD’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of UPD management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management’s discussion and analysis, which follows this report, and the schedule of funding progress, which follows the notes to the basic financial statements, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

December 15, 2011
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, 2011. 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 $10.7 million at the close of the most recent fiscal year.
- During the year, expenses were $0.4 million more than the $45.4 million generated in membership fees and other revenues for governmental activities.
- As of the close of the current year, UPD’s governmental fund (General Fund) reported an ending fund balance of $7.0 million, an increase of $0.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 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 assets presents information on all of the assets and liabilities of UPD, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets of UPD changed during the most recent fiscal year. All changes in net assets 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 can be found on pages 9 and 10 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 11 through 15 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 16 through 18 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 19 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 20 through 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of UPD, assets exceeded liabilities by $10.7 million at the close of the most recent fiscal year.

UPD’s net assets are divided between invested in capital assets, restricted, and unrestricted. Invested in capital assets ($5.6 million) reflects UPD’s 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. Restricted net assets ($0.3 million) represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets ($4.8 million) may be used to meet UPD’s ongoing obligations to communities, employees, creditors, and to honor next year’s budget.

At the end of the current year, UPD is able to report positive balances in all three categories of net assets.
UNIFIED POLICE DEPARTMENT'S Net Assets
June 30, 2011 and 2010

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>2011</th>
<th>2010</th>
<th>Change 2011-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$ 13,166,972</td>
<td>$ 12,016,715</td>
<td>$ 1,150,257</td>
</tr>
<tr>
<td>Capital assets</td>
<td>5,584,133</td>
<td>5,199,558</td>
<td>384,575</td>
</tr>
<tr>
<td>Total assets</td>
<td>18,751,105</td>
<td>17,216,273</td>
<td>1,534,832</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>2,462,723</td>
<td>2,125,052</td>
<td>337,671</td>
</tr>
<tr>
<td>Long-term liabilities outstanding</td>
<td>5,583,801</td>
<td>4,003,460</td>
<td>1,580,341</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>8,046,524</td>
<td>6,128,512</td>
<td>1,918,012</td>
</tr>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets</td>
<td>5,584,133</td>
<td>5,199,558</td>
<td>384,575</td>
</tr>
<tr>
<td>Restricted</td>
<td>258,380</td>
<td>322,967</td>
<td>(64,587)</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>4,862,068</td>
<td>5,565,236</td>
<td>(703,168)</td>
</tr>
<tr>
<td>Total net assets</td>
<td>$ 10,704,581</td>
<td>$ 11,087,761</td>
<td>$ (383,180)</td>
</tr>
</tbody>
</table>

**Governmental activities** – The key elements of the increase of UPD’s net assets for the year ended June 30, 2011 are as follows:

- Revenues totaled $45.4 million for the year ended June 30, 2011. Also, total expenses were $45.8 million during the same period. The decrease in UPD’s net assets for the year ended June 30, 2011 was $0.4 million.

- Member fees comprise 94.3 percent of UPD’s revenue used to provide law enforcement services to its members.
**UNIFIED POLICE DEPARTMENT'S Changes in Net Assets**

**Year Ended June 30, 2011**

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program revenues:</td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$1,905,839</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>540,899</td>
</tr>
<tr>
<td>General revenues:</td>
<td></td>
</tr>
<tr>
<td>Member fees</td>
<td>42,858,600</td>
</tr>
<tr>
<td>Interest earned</td>
<td>102,938</td>
</tr>
<tr>
<td>Other revenue</td>
<td>51,096</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>45,459,372</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Law enforcement services</td>
<td>45,842,552</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>(383,180)</td>
</tr>
<tr>
<td><strong>Net assets - beginning</strong></td>
<td>11,087,761</td>
</tr>
<tr>
<td><strong>Net assets - ending</strong></td>
<td>$10,704,581</td>
</tr>
</tbody>
</table>

Comparative information of changes in net assets will be provided in future years.
- Salaries and benefits represent the largest dollar portion of expense of $36.9 million or 80.4 percent.
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, 2011, UPD’s governmental fund reported a fund balance of $7.0 million, or $0.7 million more than the previous year. The following information on revenues and expenditures should be noted:

- Member fee revenues totaled $42.9 million or 94.3 percent of total revenues.
- Expenditures totaled $44.8 million for law enforcement services.
- Salaries totaled $23.7 million while the associated fringe benefits of retirement, social security, unemployment, and health insurance added $11.6 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 expenditures 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, 2011, UPD’s governmental fund balance is $7.0 million ($0.8 million in nonspendable, $0.3 million in restricted, $1.6 million in committed, $0.4 million in assigned, and $3.9 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 $1.1 million in total General Fund budgeted revenues, mostly to account for anticipated increases in intergovernmental revenue and grants and contributions.

Final budgeted expenditures were more than original budgetary estimates by $1.4 million.

With these adjustments, actual expenditures were $2.9 million less than final budgeted amounts. The most significant positive variances were $1.8 million in purchased services and $1.0 million in salaries and benefits. Actual revenues were $0.5 million less than final budgeted amounts.

**CAPITAL ASSETS**

At June 30, 2011, the majority of UPD’s capital assets are fleet vehicles ($4.9 million net of accumulated depreciation). UPD purchased $1.7 million of vehicles in the year ended June 30, 2011.
Capital assets are outlined below:

**June 30, 2011 and 2010**

(Net of accumulated depreciation)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>Change 2011-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$678,771</td>
<td>$513,022</td>
<td>$165,749</td>
</tr>
<tr>
<td>Fleet vehicles</td>
<td>$4,905,362</td>
<td>$4,686,536</td>
<td>$218,826</td>
</tr>
<tr>
<td>Total</td>
<td>$5,584,133</td>
<td>$5,199,558</td>
<td>$384,575</td>
</tr>
</tbody>
</table>

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

**REQUESTS FOR INFORMATION**

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 Assets
#### June 30, 2011

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash and investments $9,422,802</td>
</tr>
<tr>
<td></td>
<td>Receivables $2,914,654</td>
</tr>
<tr>
<td></td>
<td>Prepaid expenses and deposits $829,516</td>
</tr>
<tr>
<td>Capital assets:</td>
<td>Equipment, net of accumulated depreciation $678,771</td>
</tr>
<tr>
<td></td>
<td>Vehicles, net of accumulated depreciation $4,905,362</td>
</tr>
<tr>
<td></td>
<td>Total assets $18,751,105</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable $1,292,614</td>
</tr>
<tr>
<td>Accrued liabilities $1,170,109</td>
</tr>
<tr>
<td>Long-term liabilities:</td>
</tr>
<tr>
<td>Due or payable within one year $857,698</td>
</tr>
<tr>
<td>Due or payable after one year $4,726,103</td>
</tr>
<tr>
<td>Total liabilities $8,046,524</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net assets:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets $5,584,133</td>
</tr>
<tr>
<td>Restricted $258,380</td>
</tr>
<tr>
<td>Unrestricted $4,862,068</td>
</tr>
<tr>
<td>Total net assets $10,704,581</td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
# UNIFIED POLICE DEPARTMENT
## Statement of Activities
### Year Ended June 30, 2011

<table>
<thead>
<tr>
<th>Activities / Functions</th>
<th>Expenses</th>
<th>Charges for Services</th>
<th>Operating Grants and Contributions</th>
<th>Net (Expense) Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law enforcement services</td>
<td>$45,842,552</td>
<td>$1,905,839</td>
<td>$540,899</td>
<td>$(43,395,814)</td>
</tr>
</tbody>
</table>

**General revenue:**
- Member fees: 42,858,600
- Interest earnings: 102,938
- Miscellaneous: 51,096
- Total general revenue: 43,012,634
- Change in net assets: (383,180)

| Net assets - beginning          | 11,087,761 |
| Net assets - ending             | $10,704,581 |

The notes to the basic financial statements are an integral part of this statement.
### UNIFIED POLICE DEPARTMENT
#### Balance Sheet
Governmental Fund
June 30, 2011

<table>
<thead>
<tr>
<th>General</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and investments</td>
<td>$ 5,767,582</td>
</tr>
<tr>
<td>Receivables</td>
<td>2,905,630</td>
</tr>
<tr>
<td>Prepaid expenditures and deposits</td>
<td>829,516</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 9,502,728</td>
</tr>
</tbody>
</table>

| Liabilities and fund balances: |       |
| Liabilities: |       |
| Accounts payable | $ 1,292,614 |
| Accrued liabilities | 1,170,109 |
| **Total liabilities** | 2,462,723 |

| Fund balances: |       |
| Nonspendable: |       |
| Prepaid expenditures and deposits | 829,516 |
| Restricted for: |       |
| Forfeitures | 222,803 |
| Officer Friendly program | 35,577 |
| Committed to: |       |
| Compensated absences obligation | 857,698 |
| Economic stabilization | 750,000 |
| Assigned to: |       |
| Evidence | 274,779 |
| Pager program | 148,310 |
| Unassigned | 3,921,322 |
| **Total fund balances** | 7,040,005 |
| **Total liabilities and fund balances** | $ 9,502,728 |

The notes to the basic financial statements are an integral part of this statement.
Total fund balances for governmental fund $ 7,040,005

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

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

   Equipment, net of $5,088,704 accumulated depreciation 678,771

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.

   Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets.

   Compensated absences obligation (3,216,585)
   Net OPEB obligation (2,367,216)

Total net assets - governmental activities $ 10,704,581

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 Balances*  
**Governmental Fund**  
Year Ended June 30, 2011

<table>
<thead>
<tr>
<th>Revenues:</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member fees</td>
<td>$42,858,600</td>
</tr>
<tr>
<td>Licenses</td>
<td>826,827</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>976,674</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>540,899</td>
</tr>
<tr>
<td>Forfeitures</td>
<td>102,338</td>
</tr>
<tr>
<td>Interest earnings</td>
<td>102,938</td>
</tr>
<tr>
<td>Other</td>
<td>46,720</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>45,454,996</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Law enforcement services:</td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>35,294,154</td>
</tr>
<tr>
<td>Purchased services</td>
<td>4,730,038</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,503,036</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>3,072,276</td>
</tr>
<tr>
<td>Other</td>
<td>159,532</td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td><strong>44,759,036</strong></td>
</tr>
</tbody>
</table>

| Excess of revenues over expenditures | 695,960 |

<table>
<thead>
<tr>
<th>Other financing source:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>5,297</td>
</tr>
<tr>
<td><strong>Net change in fund balance</strong></td>
<td><strong>701,257</strong></td>
</tr>
</tbody>
</table>

| Fund balance - beginning       | 6,338,748                            |
| Fund balance - ending          | $7,040,005                           |
UNIFIED POLICE DEPARTMENT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Fund to the Statement of Activities
Year Ended June 30, 2011

Net change in fund balance-total governmental fund $ 695,960

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 depreciated over
their useful lives.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlays</td>
<td>$313,375</td>
</tr>
<tr>
<td>Net allocation from Salt Lake County</td>
<td>31,027</td>
</tr>
<tr>
<td>Gain on disposal of capital assets</td>
<td>4,376</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(177,732)</td>
</tr>
</tbody>
</table>

171,046

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

330,155

In the statement of activities, certain operating expenses are recorded as the amounts are incurred
during the year. In the governmental funds, these obligations are recorded when they mature (basically
when they are paid). The net changes in other long-term liabilities are:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences obligation</td>
<td>(2197)</td>
</tr>
<tr>
<td>Net OPEB obligation</td>
<td>(1,578,144)</td>
</tr>
<tr>
<td>Change in net assets of governmental activities</td>
<td>$ (383,180)</td>
</tr>
</tbody>
</table>

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 Balances - Budget and Actual General Fund
Year Ended June 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual Amounts</th>
<th>Variance with Final Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td></td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member fees</td>
<td>$42,651,126</td>
<td>$42,877,292</td>
<td>$(18,692)</td>
</tr>
<tr>
<td>Licenses</td>
<td>686,518</td>
<td>686,518</td>
<td>826,827</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>750,000</td>
<td>1,135,500</td>
<td>(158,826)</td>
</tr>
<tr>
<td>Grants and contributions</td>
<td>609,010</td>
<td>1,119,777</td>
<td>(578,767)</td>
</tr>
<tr>
<td>Forfeitures</td>
<td>200</td>
<td>200</td>
<td>102,338</td>
</tr>
<tr>
<td>Interest earnings</td>
<td>20,000</td>
<td>20,000</td>
<td>102,938</td>
</tr>
<tr>
<td>Other</td>
<td>16,000</td>
<td>18,500</td>
<td>82,220</td>
</tr>
<tr>
<td>Rent</td>
<td>91,000</td>
<td>91,000</td>
<td>(91,000)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>44,823,854</td>
<td>45,948,787</td>
<td>(493,791)</td>
</tr>
<tr>
<td>Expenditures:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Law enforcement services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>36,135,419</td>
<td>36,311,035</td>
<td>1,016,881</td>
</tr>
<tr>
<td>Purchased services</td>
<td>5,957,531</td>
<td>6,503,651</td>
<td>1,773,131</td>
</tr>
<tr>
<td>Supplies</td>
<td>1,402,241</td>
<td>1,398,458</td>
<td>(4,783)</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>2,646,541</td>
<td>3,291,541</td>
<td>646,999</td>
</tr>
<tr>
<td>Other</td>
<td>143,410</td>
<td>143,410</td>
<td>(16,122)</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>46,285,142</td>
<td>47,648,095</td>
<td>2,395,369</td>
</tr>
<tr>
<td>Excess (deficiency) of expenditures over (under) revenues</td>
<td>(1,461,288)</td>
<td>(1,699,308)</td>
<td>695,960</td>
</tr>
<tr>
<td>Other financing sources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of capital assets</td>
<td>200</td>
<td>5,200</td>
<td>5,297</td>
</tr>
<tr>
<td>Net change in fund balances</td>
<td>(1,461,088)</td>
<td>(1,694,108)</td>
<td>701,257</td>
</tr>
<tr>
<td>Fund balances - beginning</td>
<td>6,338,748</td>
<td>6,338,748</td>
<td>6,338,748</td>
</tr>
<tr>
<td>Fund balances - ending</td>
<td>$4,877,660</td>
<td>$4,644,640</td>
<td>$7,040,005</td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
## UNIFIED POLICE DEPARTMENT
### Statement of Fund Net Assets
#### Proprietary Fund
June 30, 2011

<table>
<thead>
<tr>
<th>Assets: Current assets:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$3,655,220</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>9,024</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>3,664,244</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets: Noncurrent assets: Capital assets:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fleet vehicles</td>
<td>9,896,845</td>
<td></td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(4,991,483)</td>
<td></td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>4,905,362</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>8,569,606</td>
<td></td>
</tr>
</tbody>
</table>

| Net assets: Invested in capital assets   | 4,905,362 |  |
| Unrestricted                             | 3,664,244 |  |
| Total net assets                         | $8,569,606 |  |

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 Assets
#### Proprietary Fund
Year Ended June 30, 2011

<table>
<thead>
<tr>
<th>Governmental Activities - Internal Service Fund</th>
<th>Vehicle Replacement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues:</td>
<td></td>
</tr>
<tr>
<td>Charges for services - vehicle replacement fees</td>
<td>$1,507,068</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>243,670</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,362,008</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>1,605,678</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(98,610)</td>
</tr>
<tr>
<td>Nonoperating revenues:</td>
<td></td>
</tr>
<tr>
<td>Contributed capital from Salt Lake County</td>
<td>333,414</td>
</tr>
<tr>
<td>Gain on sale of capital assets</td>
<td>95,351</td>
</tr>
<tr>
<td>Total nonoperating revenues</td>
<td>428,765</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>330,155</td>
</tr>
<tr>
<td>Net assets - beginning</td>
<td>8,239,451</td>
</tr>
<tr>
<td>Net assets - ending</td>
<td>$8,569,606</td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
Cash flows from operating activities:
- Receipts for interfund services provided $1,498,044
- Payments to vendors (243,670)
  Net cash provided by operating activities 1,254,374

Cash flows from capital and related financing activities:
- Purchases of capital assets (1,687,285)
- Proceeds from sale of capital assets 535,216
  Net cash used by capital and related financing activities (1,152,069)
  Net change in cash and cash equivalents 102,305

Cash and cash equivalents - beginning 3,552,915
Cash and cash equivalents - ending 3,655,220

Reconciliation of operating loss to net cash provided by operating activities:
- Operating loss $ (98,610)
- Adjustments to reconcile operating loss to net cash provided by operating activities:
  Depreciation expense 1,362,008
  Increase in accounts receivable (9,024)
  Total adjustments 1,352,984
  Net cash provided by operating activities $ 1,254,374
## UNIFIED POLICE DEPARTMENT
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2011

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$329,879</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits held for others:</td>
<td></td>
</tr>
<tr>
<td>Evidence</td>
<td>$162,363</td>
</tr>
<tr>
<td>Pending forfeiture</td>
<td>141,620</td>
</tr>
<tr>
<td>Civil service fees</td>
<td>25,896</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$329,879</td>
</tr>
</tbody>
</table>

The notes to the basic financial statements are an integral part of this statement.
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, Riverton, Taylorsville, and the unincorporated areas of Salt Lake County.

**Government-wide Financial Statements** – The *statement of net assets* and the *statement of activities* report information on all of the nonfiduciary activities of UPD. 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).

The *statement of activities* presents the degree to which the direct expenses of a given object are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific object. Indirect expense allocations made in the funds are reversed for the *statement of activities*. Depreciation expense for capital assets specifically identified with an object 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 object, and b) grants and contributions that are restricted to meeting the operating requirements of a particular program. Revenues that are not classified as program revenues are presented as general 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 fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses result from transactions directly associated with the fund’s principal services. Nonoperating expenses result from nonexchange transactions or ancillary activities.

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.

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 the 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.

Fund Balance Classifications – 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. As of June 30, 2011, $829,516 of prepaid expenditures and deposits are classified as nonspendable.

- 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. As of June 30, 2011, $222,803 is restricted for forfeitures and $35,577 is restricted by donors for the Officer Friendly program.

- 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. As of June 30, 2011, the current portion of the compensated absence obligation (or $857,698) and $750,000 for economic stabilization have been committed.

- 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. As of June 30, 2011, $274,779 is assigned for evidence and $148,310 is assigned for the pager program.

- Unassigned. Residual balances in the General Fund are classified as unassigned.

When both restricted and unrestricted resources are available for use, it is UPD’s policy to use restricted resources first, then unrestricted resources. Of the unrestricted resources, committed resources will be used first, followed by assigned resources, and then unassigned resources.

Measurement Focus and Basis of Accounting – 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which UPD receives value without directly giving equal value in exchange, include grants and contributions. Revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements are satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.
UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

UPD considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Member fees and interest are considered to be susceptible to accrual. Other receipts become measurable and available when cash is received by UPD and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures are incurred and all other grant requirements are met. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which is recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds.

Agency funds are used to account for assets held by UPD as an agent for other governments, private organizations, or individuals. Agency funds are accounted for using the accrual basis of accounting but, due to their custodial nature (assets equal liabilities), do not present results of operations or have a measurement focus.

Budgets and Budgetary Accounting – UPD operates within budget requirements as specified by Utah law. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America using the modified accrual basis of accounting for all governmental funds and on the accrual method for 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 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, 2011 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.

Receivables – Receivables consists of amounts due to UPD for member and other fees. Receivables also include a refund as a result of UPD electing to reduce coverage under social security. UPD considers all amounts due to be fully collectible and has not established an allowance for doubtful accounts at June 30, 2011.

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 minus accumulated depreciation. 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:

<table>
<thead>
<tr>
<th>Equipment</th>
<th>3 to 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>5 to 10 years</td>
</tr>
</tbody>
</table>

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

**Statement of Fund Cash Flows** – 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.

### 2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2011, as shown on the financial statements is as follows:

<table>
<thead>
<tr>
<th>Carrying amount of deposits</th>
<th>$ 2,422,436</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount of investments</td>
<td>$ 7,330,245</td>
</tr>
<tr>
<td><strong>Total cash and investments</strong></td>
<td><strong>$ 9,752,681</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Governmental fund cash and investments</th>
<th>$ 5,767,582</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietary fund cash and investments</td>
<td>$ 3,655,220</td>
</tr>
<tr>
<td>Governmental activity cash and investments</td>
<td>$ 9,422,802</td>
</tr>
<tr>
<td>Agency fund cash and investments</td>
<td>$ 329,879</td>
</tr>
<tr>
<td><strong>Total cash and investments</strong></td>
<td><strong>$ 9,752,681</strong></td>
</tr>
</tbody>
</table>

UPD complies with the State Money Management Act (Utah Code Section 51, Chapter 7) (Act) and related Rules of the Money Management Council (Council) in handling its depository. 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, 2011, UPD had the following deposits with financial institutions:

<table>
<thead>
<tr>
<th>Carrying Bank Amount</th>
<th>Bank Balance</th>
<th>Amount Insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total deposits</td>
<td>$2,422,436</td>
<td>$3,290,063</td>
</tr>
</tbody>
</table>

- **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. At June 30, 2011, $3,040,063 of UPD’s bank deposits was uninsured and uncollateralized. No deposits are collateralized nor are they required to be by state statute.

Investments – At June 30, 2011, UPD had $7,330,245 invested with the PTIF. The PTIF is a voluntary external local government investment pool managed by the Utah State Treasurer. UPD’s investment in the PTIF is reported at fair value, which is basically the same as the value of the pool shares. 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 money market securities including certificates of deposit and top-rated commercial paper held by the Utah State Treasurer; the portfolio has a weighted average life of 90 days or less.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

<table>
<thead>
<tr>
<th>Governmental activities</th>
<th>Balance at June 30, 2010</th>
<th>Allocation from Salt Lake County</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance at June 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital assets being depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>$5,310,434</td>
<td>$432,468</td>
<td>$313,375</td>
<td>$(288,802)</td>
<td>$5,767,475</td>
</tr>
<tr>
<td>Fleet vehicles</td>
<td>9,310,974</td>
<td>403,750</td>
<td>1,687,285</td>
<td>(1,505,164)</td>
<td>9,896,845</td>
</tr>
<tr>
<td>Total capital assets being depreciated</td>
<td>14,621,408</td>
<td>836,218</td>
<td>2,000,660</td>
<td>(1,793,966)</td>
<td>15,664,320</td>
</tr>
</tbody>
</table>

Accumulated depreciation for:

| Equipment | (4,797,412) | (401,441) | (177,732) | 287,881 | (5,088,704) |
| Fleet vehicles | (4,624,438) | (70,336) | (1,362,008) | 1,065,299 | (4,991,483) |
| Total accumulated depreciation | (9,421,850) | (471,777) | (1,539,740) | 1,353,180 | (10,080,187) |
| Total capital assets being depreciated, net | $5,199,558 | $364,441 | $460,920 | $(440,786) | $5,584,133 |

During the year ended June 30, 2011, equipment and fleet vehicles, net of accumulated depreciation, were allocated to UPD from Salt Lake County.
Depreciation expense for the year ended June 30, 2011 was charged to functions of UPD as follows:

**Governmental activities:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law enforcement services</td>
<td>$177,732</td>
</tr>
<tr>
<td>Depreciation on capital assets of the internal service fund charged to the various functions based on their usage of the assets</td>
<td>$1,362,008</td>
</tr>
<tr>
<td><strong>Total depreciation expense - governmental activities</strong></td>
<td><strong>$1,539,740</strong></td>
</tr>
</tbody>
</table>

**4. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2011, is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Balance at June 30, 2010</th>
<th>Additions</th>
<th>Reductions</th>
<th>Balance at June 30, 2011</th>
<th>Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences obligation</td>
<td>$3,214,388</td>
<td>$2,418,653</td>
<td>$(2,416,456)</td>
<td>$3,216,585</td>
<td>$857,698</td>
</tr>
<tr>
<td>Net OPEB obligation</td>
<td>789,072</td>
<td>1,578,144</td>
<td>-</td>
<td>2,367,216</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total governmental activity long-term liabilities</strong></td>
<td><strong>$4,003,460</strong></td>
<td><strong>$3,996,797</strong></td>
<td><strong>$(2,416,456)</strong></td>
<td><strong>$5,583,801</strong></td>
<td><strong>$857,698</strong></td>
</tr>
</tbody>
</table>

**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, 2011 to be $3,216,585. These obligations will be paid by the General Fund.

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

**5. STATE RETIREMENT PLANS**

**Defined Benefit Plans** – UPD contributes to the Local Government and Public Safety Noncontributory Retirement Systems (collectively, the Systems), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The Systems are established and governed by the respective section of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the URS and Plans under the direction of the Utah State Retirement 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 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.
In the Local Government Noncontributory Retirement System UPD is required to contribute 13.37 percent of annual covered salary and in the Public Safety Noncontributory Retirement System UPD is required to contribute 26.13 percent of annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized and specified by statute and by the Utah State Retirement Board.

UPD’s contributions to the Local Government and Public Safety Noncontributory Retirement Systems for the year ended June 30, 2011 were $681,144 and $4,095,439 and for the six months ended June 30, 2010 were $272,734 and $1,742,093, respectively. The contributions were equal to the required contributions for the year.

**Defined Contribution Plans** – UPD participates in a defined contribution plan, under Internal Revenue Code Section 401(k), to supplement retirement benefits accrued by participants in the Systems. During the year ended June 30, 2011, employer contributions were $2,119,358. Employees who are participants of the Systems can make additional contributions. These employee contributions were $607,091 for the same period. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS. Plan provisions and contribution requirements are established by state statute and may be amended by the State.

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 $292,570 for the year ended June 30, 2011. The assets of the plan are administered and held by URS. Plan provisions and contribution requirements are established by state statute and may be amended by the State.

6. **OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** – In addition to the pension benefits described in Note 5, UPD provides postemployment health care and life insurance benefits, through a single-employer defined benefit plan, to all employees who retire from UPD and qualify to retire from the Systems. 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, 2011, UPD’s annual OPEB cost (expense) is $1,578,144. 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:
UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

Required contribution (net OPEB cost) $1,578,144
Contributions made -
Increase in net OPEB obligation 1,578,144
Net OPEB obligation - June 30, 2010 789,072
Net OPEB obligation - June 30, 2011 $2,367,216

UPD’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 are as follows:

<table>
<thead>
<tr>
<th>Year Ended June 30,</th>
<th>Annual OPEB Cost</th>
<th>Employer Contributions</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,578,144</td>
<td>-</td>
<td>0.0%</td>
<td>$2,367,216</td>
</tr>
</tbody>
</table>

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2010 is as follows:

- Actuarial accrued liability (AAL) $15,256,641
- Actuarial value of plan assets -
- Unfunded actuarial accrued liability (UAAL) $15,256,641
- Funded ratio (actuarial value of plan assets/AAL) 0%
- Covered payroll (active plan members) $21,641,422
- UAAL as a percentage of covered payroll 70.5%

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 financial statements, presents the results of OPEB valuations as of June 30, 2011 and looking forward the schedule will eventually provide multiyear 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 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, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after nine years. Covered
payroll included a 4.0 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 assigned to Salt Lake County.
Monthly rent is $3,000 for the Magna building and the lease expires on July 31, 2013 with an option to
renew for five additional years. 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 $6,448 for the Kearns building and the lease expires April 30,
2013. Monthly rent is $8,449 for the Holladay building and the lease expires October 31, 2011. Monthly
rent is $2,992 for the Riverton building and is a month-to-month lease.

8. SUBSEQUENT EVENTS

On July 1, 2011, Midvale City became a member of UPD. In addition, Midvale City contributed all its fleet
vehicles and associated assets to UPD.
## UNIFIED POLICE DEPARTMENT

Schedule of Funding Progress

Other Postemployment Benefit Plan

Year Ended June 30, 2011

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Accrued Liability (AAL)- Entry Age (b)</th>
<th>Unfunded AAL (UALL) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (c)</th>
<th>Percentage of Covered Payroll ((b-a)/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2010</td>
<td>$ -</td>
<td>$ 15,256,641</td>
<td>$ 15,256,641</td>
<td>0%</td>
<td>$ 21,641,422</td>
<td>70.5%</td>
</tr>
</tbody>
</table>
Other Reports
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 the financial statements of Unified Police Department (UPD) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered UPD’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the UPD’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the UPD’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the UPD’s financial statements are free of 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.

This report is intended solely for the information and use of the Board of Directors, management, and Office of the Utah State Auditor and other awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

December 15, 2011
Independent Auditor’s Report on Legal Compliance
in Accordance with the State of Utah Legal Compliance Audit Guide

Board of Directors
Unified Police Department

We have audited the compliance of Unified Police Department (UPD) with general compliance requirements described in the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2011.

The general compliance requirements applicable to the UPD are identified as follows:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Liquor Law Enforcement
- Other General Compliance Issues
- Asset Forfeiture
- Utah Retirement System Compliance
- Fund Balance Limitation

UPD had no major state programs during the year.

Compliance with the requirements referred to above is the responsibility of the UPD’s management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit 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 of Utah Legal Compliance Audit Guide. Those standards and guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a material effect on a general compliance requirement identified above occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination on the UPD’s compliance with those requirements.

In our opinion, Unified Police Department complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2011.

This report is intended solely for the information and use of the Board of Directors, management, and Office of the Utah State Auditor and other awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

December 15, 2011