

**UNIFIED POLICE DEPARTMENT
OF GREATER SALT LAKE**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

CERTIFIED PUBLIC ACCOUNTANTS

E. LYNN HANSEN, CPA
CLARKE R. BRADSHAW, CPA
GARY E. MALMROSE, CPA
EDWIN L. ERICKSON, CPA
MICHAEL L. SMITH, CPA
JASON L. TANNER, CPA
ROBERT D. WOOD, CPA
AARON R. HIXSON, CPA
TED C. GARDINER, CPA
JEFFREY B. MILES, CPA
DONALD M. JACK, CPA

Honorable Sheriff and Members of the Board of Directors
Unified Police Department of Greater Salt Lake

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, the discretely presented component unit, and the aggregate remaining fund information of the Unified Police Department of Greater Salt Lake (UPD), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise UPD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

UPD's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We audited the financial statements of the Salt Lake Valley Law Enforcement Service Area (SLVLESA) discretely presented component unit, as of and for the year ended December 31, 2018, and our opinion, insofar as it relates to the amounts included for the SLVLESA discretely presented component unit, is based on our report. 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 auditors' 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 UPD'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 UPD's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, the discretely presented component unit, and the aggregate remaining fund information of the Unified Police Department, as of June 30, 2019, 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 on pages 4-10, OPEB obligation on page 44, and pension schedules, including the related notes to the required supplementary information, on pages 45-47 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise UPD's basic financial statements. The other information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, 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 the UPD's internal control over financial reporting and compliance.

ABMC, LLC

November 22, 2019

Management's Discussion and Analysis

As management of the 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, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes.

FINANCIAL HIGHLIGHTS

- UPD's net position is \$4.6 million at the close of the most recent fiscal year.
- During the year, expenses are \$4.0 million more than the \$69.1 million generated in member fees and other revenues for governmental activities. During the prior year, expenses were less than revenues by \$3.9 million.
- At the close of the current year, UPD's governmental fund (General Fund) reports a fund balance of \$7.2 million compared to \$7.8 million at the end of the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here 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 required supplementary information and other information (comparative statements) 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 the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of UPD, with the remainder being 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 (such as, unpaid employee benefit obligations).

The government-wide financial statements of UPD are reported as *governmental activities*; UPD has two governmental functions, general government and public safety. Member fees finance most of the public safety activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Management's Discussion and Analysis

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. The funds of UPD are grouped into three categories: governmental, proprietary, and fiduciary.

- A. **Governmental fund.** The *Governmental fund* is 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 13 through 17 of this report.

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

The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

- C. **Fiduciary fund.** UPD has one fiduciary fund type. An *agency fund* is used to account for assets such as evidence money, pending forfeitures, and civil service fees held by UPD as a custodian for other governments, private organizations, or individuals. 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 21 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 22 through 37 of this report.

Management's Discussion and Analysis

Additional Information - In addition to the basic financial statements and related notes, this report also presents required supplementary information concerning UPD's changes in its obligation to provide other postemployment benefits to its employees and UPD's proportionate share of the state's net pension liability. Required supplementary information can be found on pages 38 through 41 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 and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$4.6 million at the close of the most recent fiscal year.

The largest portion of UPD's net position (\$8.7 million) reflects its investment in capital assets (e.g., equipment and vehicles, net of accumulated depreciation). The 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 an unrestricted deficit of \$4.1 million at the end of the current year. This deficit is net of UPD's proportionate share of the state's unfunded obligation of the defined benefit pension plans administered by Utah Retirement Systems and UPD employee benefit obligations, all totaling \$36.2 million at June 30, 2019.

	Governmental Activities		
	2019	2018	Change
Current and other assets	\$ 11,962,833	\$ 12,104,718	\$ (141,885)
Capital assets	8,688,216	9,719,582	(1,031,366)
Total assets	20,651,049	21,824,300	(1,173,251)
Deferred outflows of resources	26,152,739	26,106,712	46,027
Other liabilities	2,413,381	1,967,723	445,658
Long-term liabilities outstanding	38,912,491	26,759,835	12,152,656
Total liabilities	41,325,872	28,727,558	12,598,314
Deferred inflows of resources	893,409	10,566,656	(9,673,247)
Net position:			
Net Investment in capital assets	8,688,216	9,719,582	(1,031,366)
Unrestricted (deficit)	(4,103,709)	(1,082,784)	(3,020,925)
Total net position	<u>\$ 4,584,507</u>	<u>\$ 8,636,798</u>	<u>\$ (4,052,291)</u>

Management's Discussion and Analysis

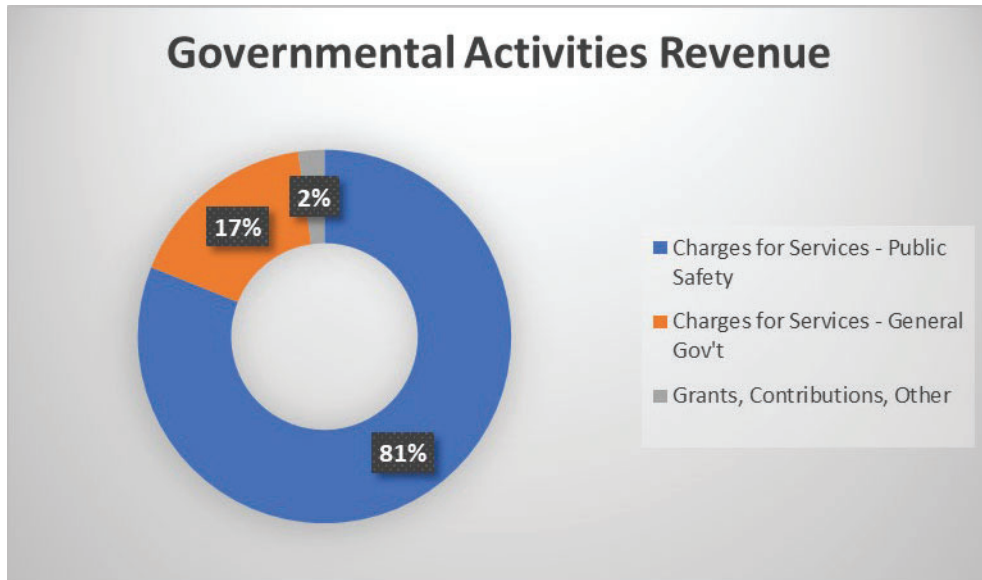
Governmental activities - The key elements of the \$4.0 million decrease of UPD's net position for the year ended June 30, 2019, are as follows:

- D. Revenues total \$69.1 million for the year ended June 30, 2019, which is an increase of \$2.1 million compared to the prior year. The largest net dollar increase in revenues is from member fees of \$2.4 million which represents a 3.5% increase in fees for providing law enforcement services.
- E. Expenses total \$73.2 million during the current year, which is an increase of \$3.2 million compared to the prior year. This increase is largely due to the withdrawal of Riverton and Herriman Cities.
- F. Member fees comprise 98.3% and 95.9% of UPD's revenue used to provide law enforcement services to its members for the years ended June 30, 2019 and 2018, respectively.

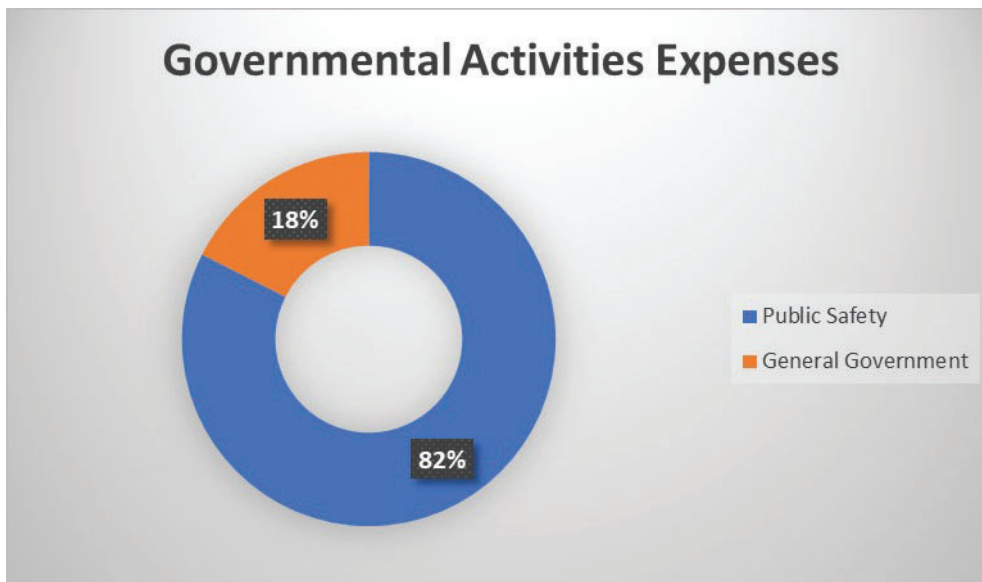
	Governmental Activities		
	2019	2018	Change
<u>Revenues</u>			
Program revenues:			
Charges for services	\$ 69,802,568	\$ 1,444,484	\$ 68,358,084
Operating grants and contributions	1,004,461	1,293,897	(289,436)
Capital grants and contributions	20,395	-	20,395
General revenues:			
Member fees	-	70,905,442	(70,905,442)
Other revenue	590,713	290,647	300,066
	<u>71,418,137</u>	<u>73,934,470</u>	<u>(2,516,333)</u>
<u>Expenses</u>			
General government	12,833,108	-	12,833,108
Public safety	60,343,600	69,977,784	(9,634,184)
Transfers out	(2,293,720)	-	(2,293,720)
	<u>70,882,988</u>	<u>69,977,784</u>	<u>905,204</u>
Changes in net position	535,149	3,956,686	(3,421,537)
Net position, beginning of year	<u>8,636,798</u>	<u>4,680,112</u>	<u>3,956,686</u>
Net position, end of year	<u>\$ 9,171,947</u>	<u>\$ 8,636,798</u>	<u>\$ 535,149</u>

Management's Discussion and Analysis

- Charges for services – Public Safety represents UPD's largest source of revenue (81%).



- Public Safety represents the largest dollar portion of expenses (82%).



Management's Discussion and Analysis

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, 2019, UPD's governmental fund reports a fund balance of \$7.8 million. The following information on revenues and expenditures should be noted:

- Member fees for law enforcement services total \$68.0 million or 95.3% of revenues. This is a decrease of \$2.4 million compared to the prior year.
- Expenditures total \$69.8 million, which is an increase of \$2.9 million compared to the prior year, reflecting the departure of Herriman City at the end of September 2018.
- Salaries total \$38.4 million while the associated employee benefits of retirement, unemployment, and health insurance added \$20.2 million to arrive at 80.7% of expenditures.

Financial Statements for governmental funds report up to five components of fund balance: *nonspendable*, *restricted*, *committed*, *assigned* and *unassigned*. Nonspendable fund balance includes resources that not cannot be spent because of their form or that must be maintained intact. Restricted fund balance is used to describe resources that are subject to externally enforceable legal restrictions. Committed fund balance refers to resources whose use is constrained by limitations the Board has imposed upon itself either by resolution or ordinance; the underlying action that imposed the limitation would need to occur no later than the end of the reporting period and remains binding unless removed by the Board in the same manner. Assigned fund balance designates the portion of fund balance that reflects the Board's intended use of resources. Unassigned fund balance represents the residual net resources of the general fund. At June 30, 2019, At June 30, 2019, UPD's governmental fund balance is \$7.2 million (\$103 thousand in nonspendable, \$2,1 million in committed, \$1.5 million in assigned, and \$3.5 million in unassigned fund balances).

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgets are only estimates of anticipated revenues and expenditures, UPD monitors and amends its budget throughout the year as needed. Differences between the original budget and the final amended budget for the General Fund reflect the following changes:

- Budgeted revenues were increased by \$362 thousand. Of that amount, \$245 thousand was for law enforcement service fees due to mid-year staffing increases and \$117 thousand was in anticipation of additional grants and contributions.
- Budgetary use of fund balance was increased by \$710 thousand to payout the values of terminating employees' leave time banks.
- Budget amendments increased appropriations by \$1.0 million. Of that amount, \$245 thousand was for mid-year staffing increases in law enforcement positions, an increase of \$710 thousand for termination payouts, expenditure lines used to satisfy grants and contributions were also increased during the year.

Management's Discussion and Analysis

With these adjustments, actual expenditures are \$5.1 million less than final budgeted amounts in the General Fund. The most significant variances are 1) \$3.4 million in salaries and benefits owing to unfilled, but approved, staff positions and 2) \$2.0 million in capital outlay reflecting the timing of projects and purchases that were approved in fiscal year 2018, but either spanned the fiscal years or were reauthorized in fiscal year 2019.

CAPITAL ASSETS

At June 30, 2019, the majority of UPD's capital assets are fleet vehicles (\$8.7 million net of accumulated depreciation). UPD purchased \$2.8 million of vehicles during the year ended June 30, 2019, and disposed of \$3.8 million of fleet vehicles. The disposition amount includes the transfer of 26 vehicles to the departing member.

Capital assets are outlined below:

	Governmental Activities		
	2019	2018	Change
Equipment	\$ 713,057	\$ 962,483	\$ (249,426)
Fleet vehicles	7,975,159	8,757,099	(781,940)
Total	<u>\$ 8,688,216</u>	<u>\$ 9,719,582</u>	<u>\$ (1,031,366)</u>

Additional information on UPD's capital assets can be found in Note 4 to the basic financial statements.

CONTACTING UNIFIED POLICE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the finances of the Unified Police Department and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Dudley, 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, 2019

	Primary Government	Component Unit
	Governmental Activities	SLVLESA
<u>Assets</u>		
Cash and investments	\$ 7,323,029	\$ 4,203,991
Receivables, net of allowance	4,416,249	98,393
Prepaid expenses	98,022	-
Deposits	119,257	-
Inventory	6,276	-
Capital assets, net		
Equipment	713,057	-
Fleet vehicles	7,975,159	-
Buildings	-	302,312
Total assets	20,651,049	4,604,696
 <u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions	26,152,739	-
 <u>Liabilities</u>		
Accounts payable	1,573,310	185,587
Accrued liabilities	840,071	-
Noncurrent liabilities:		
Due within one year	3,334,795	-
Due in more than one year	4,423,256	-
Net pension liability	31,154,440	-
Total liabilities	41,325,872	185,587
 <u>Deferred Inflows of Resources</u>		
Deferred inflows related to pensions	893,409	-
 <u>Net Position</u>		
Net investment in capital assets	8,688,216	302,312
Unrestricted	(4,103,709)	4,116,797
Total net position	\$ 4,584,507	\$ 4,419,109
Total liabilities and net position	\$ 46,803,788	\$ 4,604,696

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Statement of Activities
For the Year Ended June 30, 2019

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Component Unit
Functions / Programs						
Primary Government:						
Governmental activities						
General government	\$ 11,921,565	\$ -	\$ -	\$ (911,543)		
Public safety	57,881,003	1,004,461	20,395	(1,437,741)		
Total governmental activities	69,802,568	1,004,461	20,395	(2,349,284)		
Component Unit:						
SLVLESA	-	-	-		(20,989,393)	
Total component unit	\$ -	\$ -	\$ -		(20,989,393)	

General Revenues:	
Property taxes and fees lieu of taxes	-
Contributions	28,332
Investment earnings	191,048
Gain on sale of capital assets	63,471
Miscellaneous	307,862
Transfers	(2,293,720)
Total general revenues and transfers	(1,703,007)
Change in net position	(4,052,291)
Net position - beginning	8,636,798
Net position - ending	\$ 4,584,507

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Balance Sheet – Governmental Fund
June 30, 2019

	General Fund
Assets	
Cash and cash equivalents	\$ 5,020,134
Receivables:	
Local	3,671,946
State	434,950
Federal	237,469
Prepaid expenses	98,022
Deposits	119,257
Supplies inventory	5,250
Total assets	\$ 9,587,028
 Liabilities and fund balances	
Liabilities:	
Accounts payable	\$ 1,541,809
Accrued liabilities	840,071
Total liabilities	2,381,880
 Fund Balances:	
Nonspendable:	
Prepaid items and supplies inventory	103,272
Committed to:	
Compensated absences obligation	2,131,493
Assigned to:	
Self-insurance	850,000
Evidence	294,585
Forfeitures	353,235
Unassigned	3,472,563
Total fund balances	7,205,148
Total liabilities and fund balances	\$ 9,587,028

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2019

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

Total fund balances - total governmental funds (page 13) \$ 7,205,148

The liabilities and deferred outflows and inflows related to the Net Pension Liability are not available resources, nor are they due in the current period; therefore, are not reported in the governmental fund.

Net pension liability	\$ (30,934,872)	
Deferred outflows and inflows related to pensions	<u>25,081,309</u>	(5,853,563)

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Equipment	5,622,412	
Accumulated depreciation	<u>(4,909,355)</u>	713,057

An internal service fund is used by management to charge the costs of vehicle replacement and maintenance to the General Fund. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.

Cash and investments		\$ 2,302,895
Accounts receivable		71,884
Inventory		1,026
Fleet vehicles	8,757,099	
Accumulated depreciation	<u>(781,940)</u>	7,975,159
Accounts payable		(31,501)
Compensated absences		(21,424)
Net pension liability		(219,568)
Deferred outflows and inflows related to pensions		178,021

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	(4,563,489)	
Claims payable	(2,704,641)	
OPEB obligation	<u>(468,497)</u>	<u>(7,736,627)</u>

Net position - governmental activities (page 11) \$ 4,584,507

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2019

	<u>General Fund</u>
Revenues	
Charges for services:	
Member fees for law enforcement	\$ 67,978,923
Other community services	1,481,405
Grants and awards:	
State	111,702
Federal	913,154
Licenses and fees	323,720
Forfeitures	18,520
Donor contributions	28,332
Interest income	191,048
Other	<u>307,862</u>
Total revenues	<u>71,354,666</u>
Expenditures	
Current:	
General government:	12,224,232
Public safety	57,411,978
Capital outlay:	
Precint buildings and improvements	150,017
K-9 Service Animal	<u>19,000</u>
Total expenditures	<u>69,805,227</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,549,439</u>
Other Financing Sources (Uses)	
Transfers out	(2,293,720)
Proceeds from sale of surplus assets, materials, and supplies	<u>125,203</u>
Total other financing sources (uses)	<u>(2,168,517)</u>
Net change in fund balances	(619,078)
Fund balances, beginning of year	<u>7,824,226</u>
Fund balances, end of year	<u><u>\$ 7,205,148</u></u>

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 14) \$ (619,078)

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	142,946	
Gain on sale of capital assets	(61,732)	
Depreciation expense	<u>(330,640)</u>	(249,426)

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

Change in net position	(626,838)	
Prior period adjustment	<u>(167,592)</u>	(794,430)

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

Compensated absences expense	50,808	
Claims expense	(811,336)	
Longevity benefit expense	150,000	
OPEB expense	(45,023)	
Net pension expense	<u>(1,733,806)</u>	(2,389,357)

Change in net position of governmental activities (page 12) \$ (4,052,291)

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – General Fund
For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues</u>				
Charges for services:	\$ -	\$ -	\$ -	\$ -
Member fees for law enforcement	68,563,480	68,809,240	67,978,923	(830,317)
Other community services	1,273,546	1,273,546	1,481,405	207,859
Grants and awards:				-
State	178,757	210,581	111,702	(98,879)
Federal	462,606	498,626	913,154	414,528
Licenses and fees	931,418	931,418	323,720	(607,698)
Forfeitures	300	300	18,520	18,220
Donor contributions	20,200	39,010	28,332	(10,678)
Interest income	130,000	130,000	191,048	61,048
Other	220,100	220,100	307,862	87,762
Total revenues	71,780,407	72,112,821	71,354,666	(758,155)
<u>Expenditures</u>				
Current:				
General government:				
Salaries and employee benefits	8,110,231	8,352,403	7,215,943	1,136,460
Administration	3,604,519	4,361,959	4,703,810	(341,851)
Contracted services:				
Other services	155,512	79,427	12,741	66,686
Supplies, uniforms, and materials	256,747	159,193	98,194	60,999
Operations and building maintenance	54,448	44,408	120,021	(75,613)
Vehicle fuel and cleaning	60,331	58,949	57,517	1,432
Education and training	53,004	38,500	14,899	23,601
Other expenses	1,600	4,550	1,107	3,443
Public safety:				
Salaries and employee benefits	49,546,124	49,243,964	47,357,785	1,886,179
Administration	1,376,667	1,544,848	1,594,660	(49,812)
Contracted services:				
Emergency dispatch	4,324,349	4,322,902	4,368,100	(45,198)
Other services	1,277,339	1,142,498	139,533	1,002,965
Supplies, uniforms, and materials	1,805,224	1,869,166	1,460,068	409,098
Operations and building maintenance	1,070,876	1,058,918	1,016,485	42,433
Vehicle fuel and cleaning	1,185,897	1,149,418	1,134,203	15,215
Education and training	(209,185)	401,032	254,577	146,455
Other expenses	(118,595)	113,523	86,567	26,956
Capital outlay:				
Precint buildings and improvements	184,423	259,070	150,017	109,053
K-9 Service Animal	-	10,000	19,000	(9,000)
Total expenditures	72,739,511	74,214,728	69,805,227	4,409,501
Excess of revenues over expenditures	(959,104)	(2,101,907)	1,549,439	3,651,346
<u>Other Financing Sources (Uses)</u>				
Transfers out	(2,502,238)	(2,519,838)	(2,293,720)	226,118
Sale of capital assets	25,100	55,100	125,203	70,103
Total other financing sources (uses)	(2,477,138)	(2,464,738)	(2,168,517)	296,221
Net change in fund balance	\$ (3,436,242)	\$ (4,566,645)	(619,078)	\$ 3,947,567
Fund balance, beginning of year			7,824,226	
Fund balance, end of year			\$ 7,205,148	

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Statement of Net Position – Proprietary Fund
June 30, 2019

	<u>Vehicle Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 2,302,895
Accounts receivable	71,884
Inventory	1,026
Total current assets	<u>2,375,805</u>
Noncurrent assets:	
Capital assets:	
Vehicles (including police up-fitting)	14,848,576
Accumulated depreciation	<u>(6,873,417)</u>
Net capital assets	<u>7,975,159</u>
Total noncurrent assets	<u>7,975,159</u>
Total assets	<u>10,350,964</u>
<u>Deferred Outflows of Resources</u>	
Related to state pensions	<u>184,317</u>
Total assets and deferred outflows of resources	<u>\$ 10,535,281</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 31,501
Compensated absences	<u>8,159</u>
Total current liabilities	<u>39,660</u>
Noncurrent liabilities:	
Compensated absences	13,265
Net pension liability	<u>219,568</u>
Total noncurrent liabilities	<u>232,833</u>
Total liabilities	<u>272,493</u>
<u>Deferred Inflows of Resources</u>	
Related to state pensions	<u>6,296</u>
<u>Net Position</u>	
Investment in capital assets	7,975,159
Unrestricted	<u>2,281,333</u>
Total net position	<u>10,256,492</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,535,281</u>

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Year Ended June 30, 2019

	<u>Vehicle Fund</u>
<u>Operating Revenues</u>	
Charges for services	\$ 1,147,154
Total operating revenues	<u>1,147,154</u>
<u>Operating Expenses</u>	
Administrative:	
Salaries and related	393,230
Other	13,016
Repairs, maintenance, and servicing	
Contracted services - Salt Lake County	697,355
Fleet vehicles	24,091
Buildings	22,589
Depreciation	<u>2,064,936</u>
Total operating expenses	<u>3,215,217</u>
Operating income (loss)	<u>(2,068,063)</u>
<u>Nonoperating Revenues Expenses</u>	
Loss on disposal of capital assets	<u>(852,493)</u>
Total nonoperating expenses	<u>(852,493)</u>
Income (loss) before transfers	(2,920,556)
Transfers in	<u>2,293,718</u>
Change in net position	(626,838)
Total net position, beginning (as restated)	<u>10,883,330</u>
Total net position, ending	<u><u>\$ 10,256,492</u></u>

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2019

	Vehicle Fund
Cash flows from operating activities	
Receipts for interfund services provided	\$ 1,075,270
Payments to employees	(511,893)
Payments to suppliers	(712,534)
Net cash provided by operating activities	<u>(149,157)</u>
Cash flows from noncapital financing activities	
Transfer from general fund	<u>2,293,718</u>
Net cash provided by noncapital financing activities	<u>2,293,718</u>
Cash flows from capital and related financing activities	
Acquisition of fleet vehicles and up-fitting	(2,780,755)
Proceeds from sale of fleet vehicles	<u>645,266</u>
Net cash used by capital and related financing activities	<u>(2,135,489)</u>
Net decrease in cash and cash equivalents	9,072
Cash and cash equivalents, beginning of year	<u>2,293,823</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,302,895</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (2,068,063)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,064,936
Changes in assets and liabilities:	
Accounts receivable	(71,884)
Inventory	(1,026)
Accounts payable	31,501
Accrued expenses	<u>(104,621)</u>
Net cash provided by operating activities	<u><u>\$ (149,157)</u></u>

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Statement of Fiduciary Assets and Liabilities
June 30, 2019

Assets

Cash and investments	<u>\$ 527,870</u>
Total assets	<u>\$ 527,870</u>

Liabilities

Deposits held for others:	
Evidence	\$ 354,040
Pending forfeitures	109,361
Civil service fees	<u>64,469</u>
Total liabilities	<u>\$ 527,870</u>

The accompanying notes are an integral part of this financial statement.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 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 law enforcement services to its members' jurisdictions. Operations began January 1, 2010. The Board of Directors (the Board), comprised of a mayor or council member from each member city and metro township, the Salt Lake County mayor or designee, and one member 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 law enforcement activities and fiscal matters of UPD. UPD serves the municipalities, metro townships, and communities of Copperton, Emigration Canyon, Holladay, Kearns, Magna, Midvale, Millcreek, Taylorsville, White City, and the unincorporated areas of Salt Lake County and performs county-wide functions for the whole Salt Lake County. During the year, Herriman and Riverton withdrew from UPD (see Note 11). The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable.

Government-wide Financial Statements - The *statement of net position* and the *statement of activities* report information on all of the nonfiduciary activities of the primary government and its component unit. All 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 (such as, internal service fund activity and indirect cost charges to cost centers). The *primary government* is reported separately from its legally separate *component unit* for which the primary government is financially accountable.

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.

Discretely presented component unit. SLVLESA was created to providing funding for law enforcement services to the unincorporated areas of Salt Lake County, incorporated townships, and municipalities that had annexed into the service area; SLVLESA began operations on January 1, 2010. SLVLESA is based on the premise that law enforcement services are provided more efficiently and effectively, in both costs and operations, if entities join together in providing public safety services. SLVLESA is governed by an eight-member Board of Trustees. Three trustees are appointed by the Salt Lake County Council the remaining five are appointed by their respective city or township council. The day to day operations of SLVLESA are managed by the Salt Lake County Sheriff, as Chief Executive Officer, and the following staff positions: District Administrator, Chief Financial Officer, Treasurer, and Clerk.”

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

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 modifications and depreciation on vehicles. 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.

Additionally, UPD reports the following fund types:

- **Internal Service Fund.** The Vehicle Replacement Fund (a proprietary fund) is an internal service fund used by UPD to account for the activities associated with UPD's replacement and maintenance 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, such as evidence money, pending forfeitures, and civil service fees, held by UPD as a custodian for other governments, private organizations, or individuals.

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 (equipment and vehicles, net of accumulated depreciation), 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 amounts 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.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

- **Committed.** This category includes amounts that can only be used for specific purposes established by formal action of the Board. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the Board. 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.

- **Net Position** - It is UPD policy to consider restricted net position to have been depleted before unrestricted net position.
- **Fund Balance** - It is UPD 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, with unassigned fund balance being 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 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*, *pension expense*, *other post-employment 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.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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.

As discussed earlier, the government has a discretely presented component unit. SLVLESA is considered to be a major component unit and is shown in a separate column in the government-wide financial statements.

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 and Maintenance Fund (internal service fund). The budget for the Vehicle Replacement and Maintenance 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 by the first regularly scheduled meeting in May.
- After a public hearing is held, the Board, 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 law and with Board policy, administration may make interim adjustments from one department 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 department level.
- Interim adjustments in estimated revenue and appropriations during the year ended June 30, 2019, are included in the final budget approved by the Board, as presented in the financial statements.
- UPD has two activities: general government and public safety. Accordingly, expenditures may not legally exceed budgeted appropriations at the fund level.

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, 2019.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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 acquisition value at the date of donation. Capital assets allocated from member cities are recorded at book value net of accumulated depreciation which approximates acquisition 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

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

Other Post-Employment Benefits (OPEB) - For purposes of measuring the total OPEB liability and OPEB expense, UPD recognizes benefit payments when due and payable in accordance with the benefit terms. The total OPEB liability is measured at the discounted present value of expected future benefits.

Long-term Liabilities - In the government-wide financial statements, compensated absences obligation, claims payable, total OPEB obligation, and net state pension liability are reported as long-term liabilities in the statement of net position.

Deferred Outflows of Resources - In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Inflows of Resources - In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2019, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 959,790
Carrying amount of investments (PTIF)	<u>7,008,242</u>
Total cash and investments	<u>\$ 7,968,032</u>
Governmental fund cash and investments	\$ 5,137,267
Proprietary fund cash and investments	<u>2,302,895</u>
Governmental activity cash and investments	7,440,162
Agency fund cash and investments	<u>527,870</u>
Total cash and investments	<u>\$ 7,968,032</u>

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 (the PTIF), certificates of deposit, U.S. Treasury obligations, U.S. 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, 2019, UPD had the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Total deposits	<u>\$ 959,790</u>	<u>\$ 3,130,549</u>	<u>\$ 351,684</u>

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, 2019, \$2,528,865 of UPD's bank deposits were uninsured and uncollateralized. No deposits are collateralized nor are they required to be by state statute.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Investments - At June 30, 2019, UPD had \$7,008,242 invested with the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized to make 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 held by the Utah State Treasurer, including investment-grade corporate notes, top-tier commercial paper, money market mutual funds, repurchase agreements, and certificates of deposit. The portfolio has a weighted average maturity of 52 days. The PTIF is not rated; the reported value of the pool is the same as the fair value of the pool shares.

3. FAIR VALUE MEASUREMENTS

UPD categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. *Level 1* inputs are quoted prices in active markets for identical assets; *Level 2* inputs are significant other observable inputs; *Level 3* inputs are significant unobservable inputs.

UPD has the following recurring fair value measurements as of June 30, 2019:

- Public Treasurers' Investment Fund position of \$7,008,242 is valued at UPD's position in the PTIF (Level 2 inputs).

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, is as follows:

	07/01/18	Increases	Decreases	06/30/19
<u>Governmental activities</u>				
Capital assets, being depreciated:				
Equipment	\$ 7,267,666	\$ 142,946	\$ (1,788,200)	\$ 5,622,412
Fleet vehicles	15,834,217	2,780,755	(3,766,396)	14,848,576
Total capital assets, being depreciated	23,101,883	2,923,701	(5,554,596)	20,470,988
Accumulated depreciation:				
Equipment	(6,305,183)	(330,640)	1,726,468	(4,909,355)
Fleet vehicles	(7,077,118)	(2,064,936)	2,268,637	(6,873,417)
Total accumulated depreciation	(13,382,301)	(2,395,576)	3,995,105	(11,782,772)
Governmental capital assets, net	<u>\$ 9,719,582</u>	<u>\$ 528,125</u>	<u>\$ (1,559,491)</u>	<u>\$ 8,688,216</u>

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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

Governmental activities:	
General government	\$ 95,823
Public Safety	<u>2,299,753</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,395,576</u></u>

5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019, is as follows:

	07/01/18	Increases	Decreases	06/30/19	Due Within One Year
<u>Governmental activities</u>					
Compensated absences	\$ 4,614,297	\$ 4,317,879	\$ (4,347,263)	\$ 4,584,913	\$ 2,028,290
Claims payable	1,893,305	2,232,416	(1,421,080)	2,704,641	1,233,838
OPEB obligation	423,474	256,187	(211,164)	468,497	72,667
Longevity payable	150,000	-	(150,000)	-	-
Governmental activities, long-term liabilities	<u>\$ 7,081,076</u>	<u>\$ 6,806,482</u>	<u>\$ (6,129,507)</u>	<u>\$ 7,758,051</u>	<u>\$ 3,334,795</u>

Compensated Absences - UPD accrues vacation for all full-time employees. Employees earn between 12 and 24 vacation days each year depending upon length of service with UPD. UPD is liable to its employees for days earned but not taken. If an employee terminates, payment for accrued vacation 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 25% of the value of the sick leave accumulation is accrued. UPD estimates these obligations at June 30, , to be \$4,584,913. These obligations will be paid by the General Fund and Vehicle Replacement and Maintenance Fund.

Longevity Payable - During fiscal year 2017, UPD implemented a new benefit to employees who reach at least 20 years of credited service during the fiscal year. This benefit is a one-time payout of \$5,000 during the month of June. An employee may decide to receive this benefit as cash or be deposited into a retirement or health savings account. This benefit is subject to annual approval by the Board and is therefore, not recorded as of June 30, 2019.

Other Long-Term Liabilities - See Notes 6, 7, and 9 to the basic financial statements for disclosures regarding UPD's net state pension liability, total OPEB obligation, and claims payable, respectively.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

6. STATE RETIREMENT PLANS

Employee Retirement Systems and Pension Plans

General Information about the Pension Plan

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems (URS). URS is comprised of the following Pension Trust Funds:

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System); is a multiple employer, cost sharing, public employee retirement system.
- Public Safety Retirement System (Public Safety System) is a multiple employer cost-sharing public employee retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost-sharing, public employee retirement system;
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) is a multiple employer, cost sharing, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning work on or after July 1, 2011, who have no previous service credit with URS, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor.

The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Summary of Benefits by System

Benefits Provided

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

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending upon employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.50%
Tier 2 Public Safety and Firefighters System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.50%

*Actuarial reductions are applied.

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

Contribution Rate Summary

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Contribution rates as of June 30, 2019 are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
111- Local Governmental Division Tier 2	N/A	15.54%	1.15%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety System			
<i>Contributory</i>			
122- Tier 2 DB Hybrid Public Safety	N/A	21.00%	0.74%
<i>Noncontributory</i>			
49- Other Div B with 2.5% COLA	N/A	32.28%	N/A
Tier 2 DC Only			
211- Local Government	N/A	6.69%	10.00%
222- Public Safety	N/A	9.74%	12.00%

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

For fiscal year ended June 30, 2019, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 785,420	N/A
Public Safety System	6,574,889	-
Tier 2 Public Employees System	265,303	-
Tier 2 Public Safety and Firefighter	727,920	-
Tier 2 DC Only System	26,187	N/A
Tier 2 DC Public Safety and Firefighter System	49,671	N/A
Total Contributions	<u>\$ 8,429,390</u>	<u>\$ -</u>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

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

At June 30, 2019, UPD reported a net pension asset of \$0 and a net pension liability of \$31,154,439.

	<u>Measurement Date: December 31, 2018</u>			<u>Proportionate Share December 31, 2017</u>	<u>Change (Decrease)</u>
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>		
Noncontributory System	\$ -	\$ 4,441,809	0.6032015%	0.6184180%	-0.0152165%
Public Safety System	\$ -	\$ 26,585,504	33.7381234%	35.0867757%	-1.3486523%
Tier 2 Public Employees System	\$ -	\$ 73,222	0.1709688%	0.1727768%	-0.0018080%
Tier 2 Public Safety and Firefighter	\$ -	\$ 53,904	2.1513669%	1.6373416%	0.5140253%
Total Net Pension Asset / Liability	<u>\$ -</u>	<u>\$ 31,154,439</u>			

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

The net pension asset and liability were measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2019, UPD recognized pension expense of \$10,203,293.

At June 30, 2019, UPD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,747,773	\$ 98,047
Changes in assumptions	6,153,658	411,011
Net difference between projected and actual earnings on pension plan investments	5,908,207	-
Changes in proportion and differences between contributions and proportionate share of contributions	303,040	384,350
Contributions subsequent to the measurement date	4,040,060	-
	<u>\$ 26,152,738</u>	<u>\$ 893,408</u>
Total		

\$4,040,060 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to the fiscal year ended June 30, 2019, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2019	\$ 7,692,308
2020	6,055,669
2021	4,281,334
2022	3,113,751
2023	7,257
Thereafter	68,951

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, UPD recognized pension expense of \$1,202,860.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

At June 30, 2019, UPD reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,128	\$ 82,844
Changes in assumptions	595,031	-
Net difference between projected and actual earnings on pension plan investments	924,290	-
Changes in proportion and differences between contributions and proportionate share of contributions	39,576	83,826
Contributions subsequent to the measurement date	339,227	-
	<hr/>	<hr/>
Total	<u>\$ 1,955,252</u>	<u>\$ 166,670</u>

\$339,227 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2019	\$ 641,155
2020	266,861
2021	103,408
2022	437,931
2023	-
Thereafter	-

Public Safety System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, UPD recognized pension expense of \$8,498,245.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

At June 30, 2019, UPD reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,665,362	\$ -
Changes in assumptions	5,488,990	407,718
Net difference between projected and actual earnings on pension plan investments	4,922,080	-
Changes in proportion and differences between contributions and proportionate share of contributions	231,622	297,495
Contributions subsequent to the measurement date	<u>3,191,527</u>	<u>-</u>
Total	<u>\$ 23,499,581</u>	<u>\$ 705,213</u>

\$3,191,527 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2019	\$ 7,028,428
2020	5,771,287
2021	4,158,972
2022	2,644,154
2023	-
Thereafter	-

Tier 2 Public Employees System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, UPD recognized pension expense of \$189,217.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

At June 30, 2019, UPD reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 514	\$ 15,133
Changes in assumptions	18,353	1,316
Net difference between projected and actual earnings on pension plan investments	23,845	-
Changes in proportion and differences between contributions and proportionate share of contributions	21,603	-
Contributions subsequent to the measurement date	110,532	-
	<hr/>	<hr/>
Total	<u>\$ 174,847</u>	<u>\$ 16,449</u>

\$110,532 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2019	\$ 8,256
2020	6,005
2021	6,580
2022	11,630
2023	2,157
Thereafter	13,236

Tier 2 Public Safety and Firefighter Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, UPD recognized pension expense of \$312,971.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

At June 30, 2019, UPD reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,769	\$ 70
Changes in assumptions	51,284	1,977
Net difference between projected and actual earnings on pension plan investments	37,992	-
Changes in proportion and differences between contributions and proportionate share of contributions	10,239	3,029
Contributions subsequent to the measurement date	398,775	-
	<hr/>	<hr/>
Total	<u>\$ 523,059</u>	<u>\$ 5,076</u>

\$398,775 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to fiscal year end, but subsequent to the measurement date of December 31, 2018.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2019	\$ 14,469
2020	11,516
2021	12,374
2022	20,035
2023	5,100
Thereafter	55,715

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

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

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.89%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 6.95 percent assumed investment rate of return is comprised of an inflation rate of 2.50 percent and a real return of 4.45 percent that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate of 6.95 percent was unchanged from the prior measurement period.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 9,103,311	\$ 4,441,809	\$ 560,009
Public Safety System	54,043,600	26,585,504	4,189,370
Tier 2 Public Employees System	293,343	73,222	(96,656)
Tier 2 Public Safety and Firefighter	406,575	53,904	(215,978)
Total	<u>\$ 63,846,829</u>	<u>\$ 31,154,439</u>	<u>\$ 4,436,745</u>

Defined Contribution Savings Plans

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

Unified Police Department participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan
- Traditional IRA Plan

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
401(k) Plan			
Employer Contributions	\$ 3,063,100	\$ 2,845,810	\$ 2,675,000
Employee Contributions	935,169	919,849	1,021,051
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	425,381	544,399	639,190
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	135,348	105,458	97,615
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	8,561	5,166	3,522

7. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description - UPD provides post-employment health care through a single-employer defined benefit plan, to employees who retire from UPD and the Utah Retirement Systems. Effective May 31, 2017, the Board changed the benefit terms and discontinued the benefit for active employees; the plan is only available to employees who retired on or before May 31, 2017. No assets are accumulated in a trust that meets the criteria of generally accepted accounting principles.

Benefits Provided - The activity of the plan is reported in UPD's General Fund. The benefits, benefit levels, employee contributions, and employer contributions are governed by UPD policy, which can be amended at any time by the governing body. UPD participation is up to 80% of a single premium based on an employee's years of service.

Employees Covered by Benefit Terms - At June 30, 2019, 21 inactive employees (retirees) are receiving health benefits from the plan.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Total OPEB Obligation - UPD's total retirement liability of \$423,474 was measured as of June 30, 2019.

Changes in the Total OPEB Obligation:

Balance at June 30, 2018	\$ 423,474
Changes for the year:	
Changes in assumptions or other inputs	256,187
Benefit payments	(211,164)
Net changes	45,023
Balance at June 30, 2019	\$ 468,497

8. COMMITMENTS

UPD is committed under operating leases for buildings:

- Monthly rent is \$3,000 for the Magna building and the lease expires on December 31, 2020.
- Monthly rent is \$22,844 for the sheriff's office and operations buildings and expires December 31, 2060
- Monthly rent is \$5,324 for the Kearns building and is a month-to-month lease.
- Monthly rent is \$10,546 for the Millcreek building and is a month-to-month lease.

9. 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 \$350,000 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. States is domiciled in Vermont and registered in 44 states, including Utah.

UPD maintains a public 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 workers' compensation, claims up to \$1,650,000 per claim. UPD is also self-insured for dental benefits. 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. Workers' compensation, auto liability, and general liability claims are processed by a third-party administrator.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

UPD has established a \$750,000 and \$100,000 assignment of fund balance for either claims outstanding or for claims incurred but not reported (IBNR) for its workers' compensation obligation and its dental benefits obligations, respectively. 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. These obligations will be paid by the General Fund.

Changes in the balances of claims liabilities during the years ended June 30, 2019 and 2018, are listed as follows:

	General Liability, Automobile, and Workers' Compensation		Dental Benefits	
	2019	2018	2019	2018
Unpaid claims, beginning of year	\$ 1,858,632	\$ 2,107,756	\$ 34,673	\$ 24,142
Incurred claims	1,739,784	167,451	492,632	532,726
Claims paid	(943,440)	(416,575)	(477,640)	(522,195)
Unpaid claims, end of year	<u>\$ 2,654,976</u>	<u>\$ 1,858,632</u>	<u>\$ 49,665</u>	<u>\$ 34,673</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.

10. DISCRETELY PRESENTED COMPONENT UNIT

Capital assets activity for SLVLESA for the year ended December 31, 2018, was as follows:

<u>Component Unit</u>	01/01/18	Increases	Decreases	12/31/18
Capital assets, being depreciated:				
Buildings	\$ -	\$ 302,312	\$ -	\$ 302,312
Accumulated depreciation:				
Buildings	-	-	-	-
Total component unit capital assets, net	<u>\$ -</u>	<u>\$ 302,312</u>	<u>\$ -</u>	<u>\$ 302,312</u>

11. 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.

Required Supplementary Information

UNIFIED POLICE DEPARTMENT
Schedule of Changes in UPD's Total OPEB Obligation and Related Ratios
Last Two Plan Years

	2019	2018
Total OPEB obligation:		
Interest	\$ -	\$ 21,660
Changes in assumptions or other inputs	256,187	-
Benefit payments	(211,164)	(320,197)
Net changes	45,023	(298,537)
Total OPEB obligation, beginning	423,474	722,011
Total OPEB obligation, ending	\$ 468,497	\$ 423,474

UNIFIED POLICE DEPARTMENT
Schedule of UPD's Proportionate Share of the Net Pension Liability
Utah Retirement Systems
 Last Four Plan (Calendar) Years

	Noncontributory Retirement System	Public Safety System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighters Retirement
	2019			
Proportion of the net pension liability (asset)	0.6032015%	33.7381234%	0.1709688%	2.1513669%
Proportionate share of the net pension liability (asset)	\$ 4,441,809	\$ 26,585,504	\$ 73,222	\$ 53,904
Covered payroll	\$ 4,881,510	\$ 23,075,376	\$ 1,995,506	\$ 2,870,033
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.99%	115.21%	3.67%	1.88%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.00%	85.60%	90.80%	95.60%
	2018			
Proportion of the net pension liability (asset)	0.6184180%	35.086775%	0.1727768%	1.6373416%
Proportionate share of the net pension liability (asset)	\$ 2,709,475	\$ 16,954,051	\$ 15,233	\$ (18,945)
Covered payroll	\$ 5,006,389	\$ 24,153,906	\$ 1,691,323	\$ 1,728,151
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.12%	70.19%	0.90%	-1.10%
Plan fiduciary net position as a percentage of its covered-employee payroll	91.90%	90.50%	97.40%	103.00%
	2017			
Proportion of the net pension liability (asset)	0.5983236%	34.0319334%	0.1908250%	1.5576614%
Proportionate share of the net pension liability (asset)	\$ 3,841,970	\$ 21,212,005	\$ 21,286	\$ (13,521)
Covered payroll	\$ 4,904,805	\$ 24,106,937	\$ 1,564,900	\$ 1,286,980
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	78.33%	87.99%	1.36%	-1.05%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.30%	86.10%	95.10%	103.60%
	2016			
Proportion of the net pension liability (asset)	0.6110182%	33.4368840%	0.1842218%	1.6836008%
Proportionate share of the net pension liability (asset)	\$ 3,457,438	\$ 16,315,572	\$ (402)	\$ (24,598)
Covered payroll	\$ 4,961,018	\$ 23,221,391	\$ 1,190,292	\$ 1,001,980
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.69%	70.26%	-0.03%	-2.45%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.80%	87.60%	100.20%	110.70%
	2015			
Proportion of the net pension liability (asset)	0.6188018%	34.1590237%	0.1662502%	1.5274246%
Proportionate share of the net pension liability (asset)	\$ 2,686,983	\$ 13,507,595	\$ (5,038)	\$ (22,596)
Covered payroll	\$ 5,142,720	\$ 23,256,807	\$ 815,533	\$ 632,787
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.25%	58.08%	-0.62%	-3.57%
Plan fiduciary net position as a percentage of its covered-employee payroll	90.20%	89.00%	103.50%	120.50%

Note:
 This schedule usually covers the 10 most recent fiscal years; however, only 5 years have passed since the implementation year of GASB 68. Contributions in Tier 2 include an amortization rate to help fund unfunded liabilities in the Tier 1 systems.

UNIFIED POLICE DEPARTMENT
Schedule of UPD's Proportionate Share of the Net Pension Liability
Utah Retirement Systems
 Last Four Plan (Fiscal) Years

	As of fiscal year ended June 30,	Contributions In relation to the			Contributions as a percentage of covered payroll
		Actuarial Determined Contributions	contractually required contribution	Contribution deficiency (excess)	
Noncontributory System	2015	\$ 918,960	\$ 918,960	\$ -	18.02%
	2016	907,006	907,006	-	18.38%
	2017	926,750	926,750	-	18.41%
	2018	903,638	903,638	-	18.47%
	2019	785,420	785,420	-	18.27%
Public Safety System	2015	\$ 6,867,562	\$ 6,867,562	\$ -	29.43%
	2016	6,902,711	6,902,711	-	29.49%
	2017	7,245,747	7,245,747	-	29.76%
	2018	7,103,256	7,103,256	-	29.83%
	2019	6,574,889	6,574,889	-	29.80%
Governors & Legislators Retirement Plan	2015	\$ -	\$ -	\$ -	0.00%
	2016	-	-	-	0.00%
	2017	-	-	-	0.00%
	2018	-	-	-	0.00%
	2019	-	-	-	0.00%
Tier 2 Public Employees System*	2015	\$ 144,457	\$ 144,457	\$ -	14.93%
	2016	209,489	209,489	-	14.91%
	2017	245,549	245,549	-	14.91%
	2018	275,214	275,214	-	15.11%
	2019	265,303	265,303	-	15.53%
Tier 2 Public Safety and Firefighter System*	2015	\$ 181,560	\$ 181,560	\$ -	20.44%
	2016	239,486	239,486	-	20.39%
	2017	303,607	303,607	-	20.39%
	2018	434,377	434,377	-	20.46%
	2019	727,920	727,920	-	20.99%
Tier 2 Public Employees DC Only System*	2015	\$ 14,728	\$ 14,728	\$ -	6.63%
	2016	12,739	12,739	-	6.58%
	2017	21,385	21,385	-	6.69%
	2018	25,492	25,492	-	6.69%
	2019	26,187	26,187	-	6.75%
Tier 2 Public Safety and Firefighter DC Only System*	2015	\$ 8,887	\$ 8,887	\$ -	9.72%
	2016	26,406	\$ 26,406	-	9.72%
	2017	38,257	38,257	-	9.72%
	2018	44,325	44,325	-	9.72%
	2019	49,671	49,671	-	9.74%

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

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative practices.

UNIFIED POLICE DEPARTMENT
Notes to the Required Supplementary Information

Note A. Changes in Assumptions-Utah Retirement Systems

Amounts reported in plan year 2018 reflect the following assumption changes adopted from the January 1, 2018, valuation:

- The investment return assumption was decreased from 7.20% to 6.95%.
- The inflation assumption decreased from 2.60% to 2.50%.
- The life expectancy assumption increased for most groups.
- The wage inflation assumption decreased from 3.35% to 3.25%.
- The payroll growth assumption decreased from 3.10% to 3.00%.

Note B. Schedules of District Contributions-Utah Retirement Systems

Contributions as a percentage of covered-employee payroll may be different from the Utah State Retirement Board certified rate due to rounding or other administrative issues. Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans. The schedules present information for four plan and reporting years; prior-year information is not available.

Note C. Changes in Benefit Terms-OPEB Plan

Changes of benefit terms: Plan was amended effective May 31, 2017, to discontinue the benefit for active employees; the plan is only available to employees who retired on or before May 31, 2017.



COMMITTED. EXPERIENCED. TRUSTED

CERTIFIED PUBLIC ACCOUNTANTS

- E. LYNN HANSEN, CPA
- CLARKE R. BRADSHAW, CPA
- GARY E. MALMROSE, CPA
- EDWIN L. ERICKSON, CPA
- MICHAEL L. SMITH, CPA
- JASON L. TANNER, CPA
- ROBERT D. WOOD, CPA
- AARON R. HIXSON, CPA
- TED C. GARDINER, CPA
- JEFFREY B. MILES, CPA
- DONALD M. JACK, CPA

**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***

Independent Auditors' Report
Honorable Sheriff and Board of Directors
Unified Police Department

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Unified Police Department (UPD) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise UPD's basic financial statements, and have issued our report thereon dated November 22, 2019.

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 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 did not disclose instances of noncompliance 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.

ABMC, LLC

November 22, 2019



COMMITTED. EXPERIENCED. TRUSTED

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS’ REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

Independent Auditors’ Report
Honorable Sheriff and Board of Directors
Unified Police Department

Report on Compliance with State Compliance Requirements

We have audited Unified Police Department’s (UPD) compliance with the applicable general state compliance requirements described in the Utah State Compliance Audit Guide, issued by the Office of the Utah State Auditor, that could have a direct and material effect on UPD for the year ended June 30, 2019.

State compliance requirements were tested for the year ended June 30, 2019 in the following areas:

- | | |
|-------------------------|---------------------------------------|
| Budgetary Compliance | Restricted Taxes and Related Revenues |
| Fund Balance | Treasurer’s Bond |
| Utah Retirement Systems | Open and Public Meetings Act |

Management’s Responsibility

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

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

Opinion on General State Compliance Requirements

In our opinion, Unified Police Department complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

Purpose of This Report

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

ABMC, LLC

November 22, 2019