

**UNIFIED POLICE DEPARTMENT**

**ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2016

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## Independent Auditor's Report

Board of Directors  
Unified Police Department

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

We have audited the accompanying financial statements of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of the Unified Police Department (the UPD) as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the UPD's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Basic Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinions***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of Unified Police Department as of June 30, 2016, and the

respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the UPD's basic financial statements. The other information is presented for purposes of additional analysis and are 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 14, 2016, on our consideration of the 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.



Orem, Utah  
November 14, 2016

## Management's Discussion and Analysis

As management of the Unified Police Department (the UPD), we offer readers of the UPD's financial statements this narrative discussion, overview, and analysis of the financial activities of the UPD for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes.

### FINANCIAL HIGHLIGHTS

- The UPD's net position was a deficit balance of \$3.7 million at the close of the most recent fiscal year.
- During the year, expenses were \$2.5 million less than the \$69.1 million generated in member fees and other revenues for governmental activities. Last year, expenses were also less than revenues by \$2.5 million.
- As of the close of the current year, the UPD's governmental fund (General Fund) reported a fund balance of \$7.1 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the UPD's basic financial statements. The 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 the UPD's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the net position of the 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 compensated absences).

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

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

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-

wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the 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 the 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.

The 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.

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

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

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

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

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

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

**Notes to the basic financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 36 of this report.

**Additional Information** – In addition to the basic financial statements and related notes, this report also presents required supplementary information concerning the UPD's progress in funding its obligation to provide other post employment benefits to its employees and the UPD's proportionate share of the net pension liability. Required supplementary information can be found on pages 37 through 40 of this report.

To provide comparative data, selected financial information is provided as other information. This other information can be found on pages 41 through 45 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 the UPD, assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by \$3.7 million at the close of the most recent fiscal year.

The largest portion of the UPD's net position is an unrestricted deficit of \$13.2 million at the end of the current year. This deficit is the result of having long-term commitments that are greater than available resources. This balance is net of the UPD's proportionate share of the unfunded obligation of the defined benefit pension plans administered by Utah Retirement Systems (URS).

The remaining balance of net position (\$9.5 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.

### UNIFIED POLICE DEPARTMENT'S Net Position June 30, 2016 and 2015 (in millions of dollars)

	<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Change 2016-2015</u>
Current and other assets	\$ 14.4	\$ 14.8	\$ (0.4)
Capital assets	9.5	9.4	0.1
Total assets	23.9	24.2	(0.3)
Deferred outflows of resources	13.5	5.5	8.0
Other liabilities	4.3	4.5	(0.2)
Long-term liabilities outstanding	34.7	29.3	5.4
Total liabilities	39.0	33.8	5.2
Deferred inflows of resources	2.1	2.1	-
Net position:			
Invested in capital assets	9.5	9.4	0.1
Unrestricted (deficit)	(13.2)	(15.6)	2.4
Total net position	<u>\$ (3.7)</u>	<u>\$ (6.2)</u>	<u>\$ 2.5</u>

**Governmental activities** – The key elements of the \$2.5 million increase of the UPD's net position for the year ended June 30, 2016 are as follows:

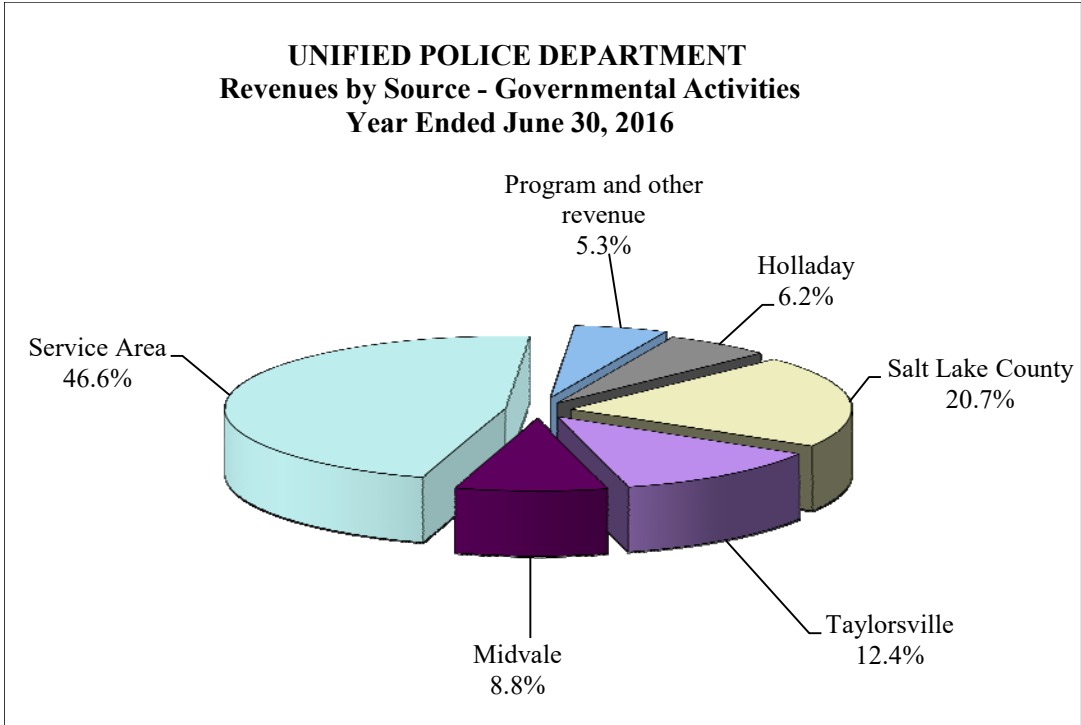
- Revenues totaled \$69.1 million for the year ended June 30, 2016, which is an increase of \$2.6 million compared to the prior year. The largest net dollar increase in revenues is from member fees of \$2.3 million primarily due to the costs of providing law enforcement services.
- Expenses totaled \$66.6 million during the current year, which is an increase of \$2.6 million over the prior year. This increase is largely from increased personnel and their related salaries and benefits.



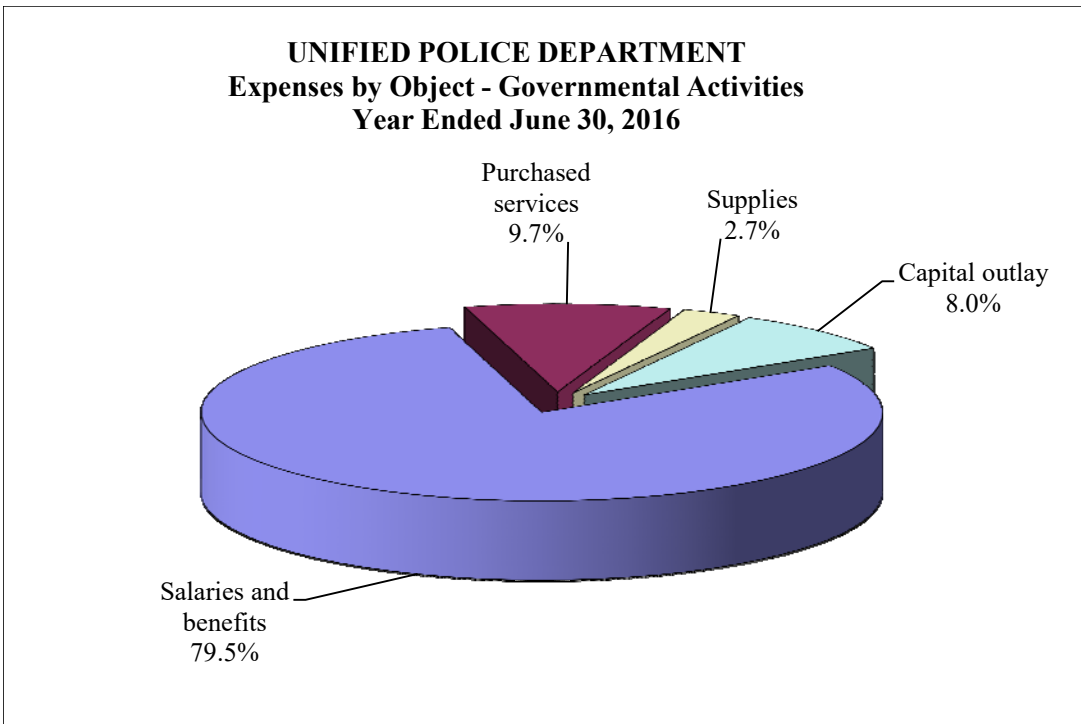
- Member fees comprise 94.9 and 95.2 percent of the UPD's revenue used to provide law enforcement services to its members for the years ended June 30, 2016 and 2015, respectively.

**UNIFIED POLICE DEPARTMENT'S Changes in Net Position**  
**Years Ended June 30, 2016 and 2015**  
(in millions of dollars)

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Change 2016-2015</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 2.1	\$ 2.2	\$ (0.1)
Operating grants and contributions	1.0	0.8	0.2
General revenues:			
Member fees	65.6	63.3	2.3
Other revenue	0.4	0.2	0.2
Total revenues	69.1	66.5	2.6
<b>Expenses:</b>			
Law enforcement services	66.6	64.0	2.6
Changes in net position	2.5	2.5	-
<b>Net position - beginning</b>	<b>(6.2)</b>	<b>(8.7)</b>	<b>2.5</b>
<b>Net position - ending</b>	<b>\$ (3.7)</b>	<b>\$ (6.2)</b>	<b>\$ 2.5</b>



- Salaries and benefits represent the largest dollar portion of expense of \$53.0 million or 79.5 percent of law enforcement services.



**FINANCIAL ANALYSIS OF UNIFIED POLICE DEPARTMENT’S FUNDS**

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

**Governmental fund** – The focus of the UPD’s *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the UPD’s financing requirements. At June 30, 2016, the UPD’s governmental fund reported a fund balance of \$7.1 million. The following information on revenues and expenditures should be noted:

- Revenues for police and emergency protection services for members totaled \$65.4 million or 95.0 percent of total revenues. This is an increase of \$2.3 million over the prior year.
- Expenditures totaled \$68.7 million, which is an increase of \$2.3 million over the prior year.
- Salaries totaled \$35.7 million while the associated fringe benefits of retirement, social security, unemployment, and health insurance added \$19.9 million to arrive at 80.9 percent of total expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes prepaid items and deposits that are not expected to be converted to cash. *Restricted* includes net fund resources of the UPD that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. *Committed* balances reflect the UPD’s self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the General Fund are those that do not meet the requirements of committed but that are intended to be used for specific purposes. *Unassigned* balances in the General Fund are all other available net fund resources. At June 30, 2016, the UPD’s governmental fund balance is \$7.1 million (\$0.7 million in nonspendable, \$2.0 million in committed, \$0.5 million in assigned, and \$3.9 million in unassigned fund balances).

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, the Board revised the UPD’s budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$0.7 million in total General Fund budgeted revenues and an increase of \$0.8 in total General Fund budgeted expenditures, mostly to account for anticipated increases in police and emergency protection services for federal funding, forfeitures, and other services.

With these adjustments, actual expenditures were \$2.4 million less than final budgeted amounts. The most significant positive variances were \$1.7 million in capital outlay and \$0.6 million in salaries and benefits.

## **CAPITAL ASSETS**

At June 30, 2016, the majority of the UPD’s capital assets are fleet vehicles (\$8.4 million net of accumulated depreciation). The UPD purchased \$3.0 million of vehicles during the year ended June 30, 2016.

Capital assets are outlined below:

**UNIFIED POLICE DEPARTMENT'S Capital Assets**

**June 30, 2016 and 2015**

(net of accumulated depreciation, in millions of dollars)

	<b>Governmental Activities</b>		
	<b>2016</b>	<b>2015</b>	<b>Change 2016-2015</b>
Equipment	\$ 1.2	\$ 1.4	\$ (0.2)
Fleet vehicles	8.4	8.0	0.4
Total	<u>\$ 9.6</u>	<u>\$ 9.4</u>	<u>\$ 0.2</u>

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

**CONTACTING THE UPD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 the Chief Financial Officer, Unified Police Department, 3365 South 900 West, Room 121, Salt Lake City, Utah 84119.

## **Basic Financial Statements**

**UNIFIED POLICE DEPARTMENT**  
**Statement of Net Position**  
June 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 12,030,412
Receivables	1,665,018
Prepaid items and deposits	671,239
Net pension asset	25,000
Capital assets:	
Equipment, net of accumulated depreciation	1,161,851
Vehicles, net of accumulated depreciation	8,385,252
Total assets	23,938,772
<b>Deferred outflows of resources:</b>	
Related to pensions	13,498,447
<b>Liabilities:</b>	
Accounts payable	1,578,130
Accrued salaries and related benefits	2,709,862
Long-term liabilities:	
Portion due or payable within one year	241,604
Portion due or payable after one year	34,498,393
Total liabilities	39,027,989
<b>Deferred inflows of resources:</b>	
Related to pensions	2,043,242
<b>Net position:</b>	
Investment in capital assets	9,547,103
Restricted	30,000
Unrestricted (deficit)	(13,211,115)
Total net position	\$ (3,634,012)

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Activities**  
Year Ended June 30, 2016

<u>Activities / Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b>Governmental activities:</b>				
Law enforcement services	\$ 66,601,312	\$ 2,140,642	\$ 1,035,269	\$ (63,425,401)
	<b>General revenue:</b>			
	Member fees			65,588,354
	Interest earnings			55,883
	Contributions			74,433
	Miscellaneous			229,240
	Total general revenue			<u>65,947,910</u>
	Change in net position			2,522,509
	<b>Net position - beginning</b>			<u>(6,156,521)</u>
	<b>Net position - ending</b>			<u>\$ (3,634,012)</u>

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

**UNIFIED POLICE DEPARTMENT**  
**Balance Sheet**  
**Governmental Fund**  
June 30, 2016

	<b>General</b>
<b>Assets:</b>	
Cash and investments	\$ 9,089,940
Receivables:	
Local	1,362,173
State	128,373
Federal	166,177
Prepaid items and deposits	671,239
Total assets	\$ 11,417,902
<b>Liabilities and fund balances:</b>	
Liabilities:	
Accounts payable	\$ 1,578,130
Accrued salaries and related benefits	2,709,862
Total liabilities	4,287,992
Fund balances:	
Nonspendable:	
Prepaid items and deposits	671,239
Restricted for:	
Other purposes	30,000
Committed to:	
Compensated absences obligation	1,256,314
Self-insurance	750,000
Assigned to:	
Evidence	285,073
Forfeitures	276,781
Unassigned	3,860,503
Total fund balances	7,129,910
Total liabilities and fund balances	\$ 11,417,902

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



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

June 30, 2016

<b>Total fund balances for governmental fund</b>		\$ 7,129,910
Total net position reported for governmental activities in the statement of net position is different because:		
The net pension asset is not an available resource and therefore is not reported in the governmental funds.		25,000
Capital assets used in the governmental activities are not current financial resources and therefore are not reported in the fund. Those assets consist of:		
Equipment	\$ 8,223,039	
Accumulated depreciation	<u>(7,061,188)</u>	1,161,851
An internal service fund is used by management to charge the costs of vehicle replacement to the General Fund. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.		11,334,019
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund. All liabilities (both current and long-term) are reported in the statement of net position.		
Compensated absences obligation	(4,231,196)	
Claims payable	(483,208)	
Net OPEB obligation	(10,252,583)	
Net pension liability	(19,773,010)	
Deferred outflows of resources related to pensions	13,498,447	
Deferred inflows of resources related to pensions	<u>(2,043,242)</u>	<u>(23,284,792)</u>
<b>Total net position of governmental activities</b>		<b><u><u>\$ (3,634,012)</u></u></b>

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
Year Ended June 30, 2016

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	<b>General</b>
<b>Revenues:</b>	
Police and emergency protection services for members	\$ 65,433,290
Licenses and fees	1,025,142
Other services	1,022,011
State awards	404,784
Federal awards	630,485
Forfeitures	93,489
Interest earnings	55,883
Contributions	55,501
Other	162,420
Total revenues	68,883,005
<b>Expenditures:</b>	
Current:	
Law enforcement services:	
Salaries and benefits	55,576,318
Purchased services	6,469,878
Supplies	1,819,225
Other	92,712
Capital outlay	4,780,861
Total expenditures	68,738,994
Excess of revenues over expenditures	144,011
<b>Other financing source - Proceeds from sale of capital assets</b>	66,820
<b>Net change in fund balance</b>	210,831
<b>Fund balance - beginning</b>	6,919,079
<b>Fund balance - ending</b>	\$ 7,129,910

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

**UNIFIED POLICE DEPARTMENT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance of Governmental Fund to the Statement of Activities**  
Year Ended June 30, 2016

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**Net change in fund balance for governmental fund** \$ 210,831

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

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

Capital outlays	\$ 318,733	
Proceeds from sale of capital assets	(66,820)	
Gain on sale of capital assets	66,820	
Depreciation expense	(542,934)	(224,201)

An internal service fund is used by management to charge the costs of vehicle replacement to the General Fund. The change of net position of the internal service fund are included with governmental activities. (84,240)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds; long-term employee benefit obligations are reported in the governmental funds when paid.

Compensated absences expense	(204,035)	
Claims expense	(26,690)	
OPEB expense	(1,615,420)	
Pension expense	4,466,264	2,620,119

**Change in net position of governmental activities** \$ 2,522,509

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Police and emergency protection services for members	\$ 65,419,183	\$ 65,433,290	\$ 65,433,290	\$ -
Licenses and fees	824,018	829,018	1,025,142	196,124
Other services	1,038,456	1,083,300	1,022,011	(61,289)
State awards	175,000	175,000	404,784	229,784
Federal awards	500,910	917,169	630,485	(286,684)
Forfeitures	200	85,200	93,489	8,289
Interest earnings	30,000	30,000	55,883	25,883
Contributions	20,200	40,180	55,501	15,321
Other	18,000	161,164	162,420	1,256
Total revenues	<u>68,025,967</u>	<u>68,754,321</u>	<u>68,883,005</u>	<u>128,684</u>
<b>Expenditures:</b>				
Current:				
Law enforcement services:				
Salaries and benefits	56,117,014	56,147,703	55,576,318	571,385
Purchased services	6,360,829	6,062,955	6,469,878	(406,923)
Supplies	2,243,839	2,295,875	1,819,225	476,650
Other	173,852	191,082	92,712	98,370
Capital outlay	5,450,379	6,455,364	4,780,861	1,674,503
Total expenditures	<u>70,345,913</u>	<u>71,152,979</u>	<u>68,738,994</u>	<u>2,413,985</u>
Excess (deficiency) of revenues over (under) expenditures	(2,319,946)	(2,398,658)	144,011	2,542,669
<b>Other financing sources:</b>				
Proceeds from sale of capital assets	200	47,912	66,820	18,908
Net change in fund balance	(2,319,746)	(2,350,746)	210,831	2,561,577
<b>Fund balance - beginning</b>	<u>6,919,079</u>	<u>6,919,079</u>	<u>6,919,079</u>	<u>-</u>
<b>Fund balance - ending</b>	<u>\$ 4,599,333</u>	<u>\$ 4,568,333</u>	<u>\$ 7,129,910</u>	<u>\$ 2,561,577</u>

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
June 30, 2016

	<b>Governmental Activities - Internal Service Fund</b>
	<b>Vehicle Replacement</b>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 2,940,472
Accounts receivable	8,295
Total current assets	2,948,767
Noncurrent assets:	
Capital assets:	
Fleet vehicles	15,061,804
Accumulated depreciation	(6,676,552)
Total noncurrent assets	8,385,252
Total assets	11,334,019
<b>Net position:</b>	
Investment in capital assets	8,385,252
Unrestricted	2,948,767
Total net position	\$ 11,334,019

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
Year Ended June 30, 2016

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	<u><b>Governmental Activities - Internal Service Fund Vehicle Replacement</b></u>
<b>Operating revenues:</b>	
Charges for services - vehicle replacement fees	\$ 2,583,763
<b>Operating expenses:</b>	
Purchased property services	760,243
Depreciation	2,081,756
Total operating expenses	<u>2,841,999</u>
Operating loss	(258,236)
<b>Nonoperating revenues:</b>	
Contributed capital from Midvale City	18,932
Gain on sale of capital assets	155,064
Total nonoperating revenues	<u>173,996</u>
Change in net position	(84,240)
<b>Net position - beginning</b>	<u>11,418,259</u>
<b>Net position - ending</b>	<u><u>\$ 11,334,019</u></u>

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fund Cash Flows**  
**Proprietary Fund**  
Year Ended June 30, 2016

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	<b>Governmental Activities - Internal Service Fund <u>Vehicle Replacement</u></b>
<b>Cash flows from operating activities:</b>	
Receipts for interfund services provided	\$ 2,583,763
Payments to vendors	<u>(760,243)</u>
Net cash provided by operating activities	1,823,520
 <b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	(2,978,633)
Proceeds from sale of capital assets	<u>727,100</u>
Net cash used by capital and related financing activities	<u>(2,251,533)</u>
Net change in cash and cash equivalents	(428,013)
 <b>Cash and cash equivalents - beginning</b>	 <u>3,368,485</u>
<b>Cash and cash equivalents - ending</b> (displayed on the statement of fund net position as <i>cash and investments</i> )	 <u><u>\$ 2,940,472</u></u>
 Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (258,236)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	<u>2,081,756</u>
Net cash provided by operating activities	<u><u>\$ 1,823,520</u></u>
 Noncash investing, capital, and financing activities	 None

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
June 30, 2016

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**ASSETS:**

Cash and investments	\$ 248,398
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**LIABILITIES:**

Deposits held for others:

Evidence	\$ 116,684
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Pending forfeiture	105,550
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Civil service fees	26,164
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Total liabilities	\$ 248,398
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The notes to the basic financial statements are an integral part of this statement.



# UNIFIED POLICE DEPARTMENT

## Notes to Basic Financial Statements

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Unified Police Department (the 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 the UPD.

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

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

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

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

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

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

The UPD reports the following major governmental fund:

## UNIFIED POLICE DEPARTMENT Notes to Basic Financial Statements

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

Additionally, the UPD reports the following fund types:

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

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

Net position is divided into three components: investment in capital assets (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 the UPD is bound to honor them. The UPD first determines and reports nonspendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

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

## UNIFIED POLICE DEPARTMENT Notes to Basic Financial Statements

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**Net Position/Fund Balance Flow Assumption** – Sometimes the 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. Unassigned fund balance is applied last.

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

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and 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, the 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 postemployment benefits (OPEB), and claims related to workers' compensation obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

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

## UNIFIED POLICE DEPARTMENT

### Notes to Basic Financial Statements

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- For the fiscal year beginning July 1, the fiscal officer prepares a proposed budget for all funds which is presented to the Board on or before June 1.
- 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 appropriation (at the program, function, or object level) to another within any given fund without seeking the immediate approval of the Board. The Board approves these changes later in the year.
- The total budgeted expenditures of a given fund may not exceed the expected revenues for the fiscal year plus the fund balance. Control of the budget is exercised at the overall fund level.
- Interim adjustments in estimated revenue and appropriations during the year ended June 30, 2016 are included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the departmental level; the UPD has one department: law enforcement services.

**Cash and Cash Equivalents** – For the *statement of fund cash flows* for the proprietary fund, the 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 the UPD from federal, state, and local sources. The UPD considers all amounts due to be fully collectible and has not established an allowance for doubtful accounts at June 30, 2016.

**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. The 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

**Pensions** – For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (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,

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

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benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

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

**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. The one item that the UPD has that qualifies for reporting in this category in the government-wide statement of net position is deferred outflows of resources related to pensions which includes a) net difference between projected and actual earnings on pension plan investments, b) changes in proportion and differences between contributions and proportionate share of contributions, and c) UPD contributions subsequent to the measurement date of December 31, 2015.

**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. The one item that the UPD has that qualifies for reporting in this category is deferred inflows of resources related to pensions which includes a) differences between expected and actual experience, b) changes of assumptions in the measurement of the net pension liability/asset, and c) changes in proportion and differences between contributions and proportionate share of contributions.

**2. DEPOSITS AND INVESTMENTS**

A reconciliation of cash and investments at June 30, 2016, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 6,165,254
Carrying amount of investments	<u>6,113,556</u>
Total cash and investments	<u><u>\$ 12,278,810</u></u>
Governmental fund cash and investments	\$ 9,089,940
Proprietary fund cash and investments	<u>2,940,472</u>
Governmental activity cash and investments	12,030,412
Agency fund cash and investments	<u>248,398</u>
Total cash and investments	<u><u>\$ 12,278,810</u></u>

The 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 the 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.

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

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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. The UPD considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

**Deposits** – At June 30, 2016, the UPD had the following deposits with financial institutions:

	<b>Carrying Amount</b>	<b>Bank Balance</b>	<b>Amount Insured</b>
Total deposits	\$ 6,165,254	\$ 6,333,018	\$ 250,000

- **Custodial Credit Risk** – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The UPD does not have a formal deposit policy for custodial credit risk other than complying with the Act. At June 30, 2016, \$6,083,018 of the UPD’s bank deposits were uninsured and uncollateralized. No deposits are collateralized nor are they required to be by state statute.

**Investments** – At June 30, 2016, the UPD had \$6,113,556 invested with the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities held by the Utah State Treasurer, including investment-grade corporate notes, top-tier commercial paper, money market mutual funds, and certificates of deposit. The portfolio has a weighted average maturity of 53 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**

In 2016, the UPD adopted Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

The new standard provides guidance for determining a fair value measurement for financial reporting purposes. The standard also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The UPD’s financial statements are not affected by this new standard.

The 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.

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

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The UPD has the following recurring fair value measurements as of June 30, 2016:

- Public Treasurers' Investment Fund position of \$6,113,556 is valued at the District's position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, is as follows:

	<u>Balance at June 30, 2015</u>	<u>Contribution from Midvale City</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2016</u>
<b>Governmental activities:</b>					
Capital assets being depreciated:					
Equipment	\$ 8,145,085	\$ -	\$ 318,733	\$ (240,779)	\$ 8,223,039
Fleet vehicles	<u>14,022,396</u>	<u>20,000</u>	<u>2,978,633</u>	<u>(1,959,225)</u>	<u>15,061,804</u>
Total capital assets being depreciated	22,167,481	20,000	3,297,366	(2,200,004)	23,284,843
Accumulated depreciation for:					
Equipment	(6,759,033)	-	(542,934)	240,779	(7,061,188)
Fleet vehicles	<u>(5,980,917)</u>	<u>(1,068)</u>	<u>(2,081,756)</u>	<u>1,387,189</u>	<u>(6,676,552)</u>
Total accumulated depreciation	<u>(12,739,950)</u>	<u>(1,068)</u>	<u>(2,624,690)</u>	<u>1,627,968</u>	<u>(13,737,740)</u>
Total capital assets being depreciated, net	<u>\$ 9,427,531</u>	<u>\$ 18,932</u>	<u>\$ 672,676</u>	<u>\$ (572,036)</u>	<u>\$ 9,547,103</u>

Depreciation expense for the year ended June 30, 2016 was charged to functions of the UPD as follows:

<b>Governmental activities:</b>	
Law enforcement services	\$ 542,934
Depreciation on capital assets of the internal service fund charged to the various functions based on their usage of the assets	<u>2,081,756</u>
Total depreciation expense - governmental activities	<u>\$ 2,624,690</u>

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

**5. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2016, is as follows:

	<u>Balance at June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2016</u>	<u>Portion Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences obligation	\$ 4,027,161	\$ 4,947,028	\$ (4,742,993)	\$ 4,231,196	\$ -
Claims payable	456,518	332,110	(305,420)	483,208	241,604
Net OPEB obligation	8,637,163	1,728,472	(113,052)	10,252,583	-
Net pension liability	<u>16,194,577</u>	<u>15,927,264</u>	<u>(12,348,831)</u>	<u>19,773,010</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 29,315,419</u>	<u>\$ 22,934,874</u>	<u>\$ (17,510,296)</u>	<u>\$ 34,739,997</u>	<u>\$ 241,604</u>

**Compensated Absences** – The UPD accrues vacation for all full-time employees. Employees accrue between 12 and 24 vacation days each year depending upon length of service with the UPD, generally limited to a maximum number of days earned for one year. The UPD is liable to the employee for days earned but not taken. If an employee terminates, then payment is made; otherwise, scheduled vacation time off is allowed. Sick leave is accrued for only those employees that qualify for state retirement and in accordance with UPD policy; only twenty-five percent of the value of the sick leave accumulation is accrued. The UPD estimates these obligations at June 30, 2016 to be \$4,231,196. These obligations will be paid by the General Fund.

See Note 6, Note 7, and Note 9 to the basic financial statements for a discussion regarding the UPD’s net pension liability, net other postemployment benefit obligation, and claims payable.

**6. STATE RETIREMENT PLANS**

**Description of plans** – Eligible employees of the UPD are provided with the following plans through the Utah Retirement Systems (the URS) administered by the URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Public Safety Retirement System – Other Division B without Social Security (Tier 1 Public Safety System)
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Contributory System)
- Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety System)

Defined Contribution Plans (individual account plans):

- 401(k) Plan (includes the Tier 2 Defined Contribution Plans and the Tier 2 Public Safety Plan)



## UNIFIED POLICE DEPARTMENT Notes to Basic Financial Statements

- 457 Plan and other individual plans

Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms to the Utah State Retirement Board, whose members are appointed by the Governor. The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at [www.urs.org](http://www.urs.org).

The Tier 2 systems became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the systems, are members of the Tier 2 systems.

**Benefits provided** – The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits are determined from 1.25% to 2.00% of the employee’s highest 3 or 5 years of compensation times the employee’s years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year.. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

**Contributions** – As a condition of participation in the plans, 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.

For the year ended June 30, 2016, District required contribution rates for the plans were as follows:

	<b>Defined Benefit Plans Rates</b>			<b>UPD Rates for 401(k) Plan</b>
	<b>UPD Contribution</b>	<b>Employee Paid</b>	<b>Paid by the UPD for Employee</b>	
Tier 1 Noncontributory System	18.47%	-	-	-
Tier 1 Public Safety System	32.20%	-	-	-
Tier 2 Contributory System *	8.22%	-	-	1.78%
Tier 2 Public Safety System *	10.67%	-	-	1.33%
Tier 2 Defined Contribution Plan *	-	-	-	10.00%
Tier 2 Public Safety Plan *	-	-	-	12.00%

\* The UPD is also required to contribute 6.61% to 9.64% of covered employee payroll of the Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans. The UPD is also required to contribute 0.08% of covered employee payroll of the Tier 2 plans for death benefits.

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

For the year ended June 30, 2016, UPD and employee contributions to the plans were as follows:

	<u>UPD</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>
Tier 1 Noncontributory System	\$ 907,006	\$ -
Tier 1 Public Safety System	6,902,711	-
Tier 2 Contributory System*	209,489	-
Tier 2 Public Safety System*	239,486	-
401(k) Plan	2,627,725	821,523
457 Plan and other individual plans	-	446,718

\* Tier 2 plan contributions include required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans and for death benefits.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions** – At June 30, 2016, the UPD reported a net pension asset of \$25,000 and a net pension liability of \$19,773,010 for the following plans:

	<u>Proportionate</u> <u>Share</u>	<u>Net Pension</u> <u>Asset</u>	<u>Net Pension</u> <u>Liability</u>
Tier 1 Noncontributory System	0.6110182%	\$ -	\$ 3,457,438
Tier 1 Public Safety System	33.4368840%	-	16,315,572
Tier 2 Contributory System	0.1842218%	402	-
Tier 2 Public Safety System	1.6836008%	24,598	-
Total		<u>\$ 25,000</u>	<u>\$ 19,773,010</u>

The net pension asset and liability were measured as of December 31, 2015, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The UPD's proportion of the net pension asset and liability is equal to the ratio of the UPD's actual contributions compared to the total of all employer contributions during the plan year.

For the year ended June 30, 2016, the UPD recognized pension expense of \$3,828,942 for the defined benefit pension plans and pension expense of \$2,627,725 for the defined contribution plans. At June 30, 2016, the UPD reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,854,202	\$ 167,927
Changes of assumptions	-	1,586,488
Net difference between projected and actual earnings on pension plan investments	6,457,730	-
Changes in proportion and differences between contributions and proportionate share of contributions	8,042	288,827
UPD contributions subsequent to the measurement date	4,178,473	-
Total	\$ 13,498,447	\$ 2,043,242

The \$4,178,473 reported as deferred outflows of resources related to pensions resulting from UPD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

<b>Year Ending December 31,</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2016	\$ 1,748,897
2017	1,748,897
2018	1,752,297
2019	1,768,737
2020	260,371
Thereafter	(2,467)

**Actuarial assumptions** – The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%	
Salary increases	3.50% to 10.50%, average, including inflation	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation	

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

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

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2013.

The long-term expected rate of return on defined benefit 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 and is applied consistently to each defined benefit pension plan. 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 Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75% and a real return of 4.75% that is net of investment expense.

**Discount rate** – The discount rate used to measure the total pension liability was 7.50%. 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 all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement 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 was not changed from the prior measurement date.

**Sensitivity of the UPD’s proportionate share of the net pension liability to changes in the discount rate** – The following presents the UPD’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the UPD’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

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

	<b>1% Decrease (6.50%)</b>	<b>Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
The UPD's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 7,305,223	\$ 3,457,438	\$ 245,309
Tier 1 Public Safety System	35,594,445	16,315,572	520,868
Tier 2 Contributory System	73,748	(402)	(56,601)
Tier 2 Public Safety System	41,814	(24,598)	(75,597)
Totals	\$ 43,015,230	\$ 19,748,010	\$ 633,979

**Pension plan fiduciary net position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

**Payables to the pension plans** – At June 30, 2016, the UPD reported payables of \$690,308 for contributions to the plans.

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description** – In addition to the pension benefits described in Note 6, the UPD provides postemployment health care through a single-employer defined benefit plan, to all employees who retire from the UPD and qualify to retire from the System. The benefits, benefit levels, employee contributions, and employer contributions are governed by UPD policy, and can be amended at any time. UPD participation is up to 80 percent of a single premium and the premium is shared based on years of service of employees. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the UPD’s General Fund.

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

**Annual OPEB Cost and Net OPEB Obligation** – The UPD’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the employer’s annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2016, the UPD’s annual OPEB cost (expense) is \$1,728,472.

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

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

Required contribution (net OPEB cost)	\$ 1,670,890
Interest on net OPEB obligation	345,487
Adjustment to annual required contribution	<u>(287,905)</u>
Annual OPEB cost (expense)	1,728,472
Contributions made	<u>(113,052)</u>
Increase in net OPEB obligation	1,615,420
Net OPEB obligation - June 30, 2015	<u>8,637,163</u>
Net OPEB obligation - June 30, 2016	<u><u>\$ 10,252,583</u></u>

The UPD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2016, 2015, and 2014 are as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 1,782,910	\$ 44,113	2.5%	\$ 7,252,769
2015	1,471,632	87,238	5.9%	8,637,163
2016	1,728,472	113,052	6.5%	10,252,583

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2016 (the date of the most recent actuarial valuation) is as follows:

Actuarial accrued liability (AAL)	\$ 14,552,010
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 14,552,010</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 28,185,706
UAAL as a percentage of covered payroll	51.6%

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

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## **UNIFIED POLICE DEPARTMENT**

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

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In the June 30, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 4.6 percent after fourteen years. Covered payroll included a 3.5 percent inflation assumption. The actuarial value of assets was not determined as the UPD has not advance funded its obligation. The UAAL is being amortized as a level percentage of payroll over an open thirty-year period.

#### **8. COMMITMENTS**

The UPD is committed under operating leases for buildings that were formerly obligations of Salt Lake County. Monthly rent is \$3,030 for the Magna building and the lease expires on December 31, 2016. Monthly rent is \$4,793 for the Herriman building and the lease expires on February 15, 2018. Monthly rent is \$25,092 for the Sheriff's building and expires by the earlier of December 31, 2060, Salt Lake County withdraws as a member of the UPD, the UPD builds its own building, or the UPD enters into a new building lease due to growth. This lease and its provisions will be renewed every five years. Monthly rent is \$6,641 for the Kearns building and is a month-to-month lease. Monthly rent is \$8,449 for the Millcreek building and is a month-to-month lease.

#### **9. RISK MANAGEMENT**

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

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

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

The UPD has established a \$750,000 commitment of fund balance for either claims outstanding or for claims incurred but not reported (IBNR) for its workers' compensation obligation. The unpaid claims are included as long-term liabilities in the government-wide financial statements. Liabilities are based on the estimated ultimate cost of settling claims using past experience adjusted for current trends. This liability is the UPD's best estimate based on available information. There were 89 cases that occurred prior to June 30, 2016, which have not been resolved. These obligations will be paid by the General Fund. Changes in the balances of claims liabilities during the years ended June 30, 2016 and 2015 are listed as follows:

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

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	<u>2016</u>	<u>2015</u>
Unpaid claims at beginning of year	\$ 456,518	\$ 478,139
Incurred claims	332,110	208,457
Claims paid	<u>(305,420)</u>	<u>(230,078)</u>
Unpaid claims at end of year	<u>\$ 483,208</u>	<u>\$ 456,518</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. LITIGATION**

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



## **Required Supplementary Information**

**UNIFIED POLICE DEPARTMENT**  
**Schedule of Funding Progress**  
**Other Postemployment Benefit Plan**  
Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2012	\$ -	\$ 17,364,592	\$ 17,364,592	0%	\$ 27,962,355	62.1%
6/30/2014	-	14,645,468	14,645,468	0%	29,985,280	48.8%
6/30/2016	-	14,552,010	14,552,010	0%	28,185,706	51.6%

Notes to the required schedule:

The information presented in this required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2016	Actuarial Assumptions:	
Actuarial cost method	Individual entry-age	Investment rate of return	4.00%
Amortization method	Level dollar amounts, closed	Annual healthcare cost trend rate	7.5% to 4.6%
Remaining amortization period	30 years	Includes inflation at	3.50%
Asset valuation method	Market value	Cost of living adjustments	None

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

**UNIFIED POLICE DEPARTMENT**  
**Schedules of the UPD's Proportionate Share of the Net Pension Liability (Asset)**  
**Utah Retirement Systems**  
Last Two Plan (Calendar) Years

	<u>2015</u>	<u>2014</u>
<b>Tier 1 Noncontributory System:</b>		
The UPD's proportion of the net pension liability (asset)	0.6110182%	0.6188018%
The UPD's proportionate share of the net pension liability (asset)	\$ 3,457,438	\$ 2,686,983
The UPD's covered employee payroll	\$ 4,961,018	\$ 5,142,720
The UPD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.7%	52.2%
Plan fiduciary net position as a percentage of the total pension liability	87.8%	90.2%
<b>Tier 1 Public Safety System:</b>		
The UPD's proportion of the net pension liability (asset)	33.4368840%	34.1590237%
The UPD's proportionate share of the net pension liability (asset)	\$ 16,315,572	\$ 13,507,595
The UPD's covered employee payroll	\$ 23,221,391	\$ 23,256,807
The UPD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.3%	58.1%
Plan fiduciary net position as a percentage of the total pension liability	87.6%	89.0%
<b>Tier 2 Contributory System:</b>		
The UPD's proportion of the net pension liability (asset)	0.1842218%	0.1662502%
The UPD's proportionate share of the net pension liability (asset)	\$ (402)	\$ (5,038)
The UPD's covered employee payroll	\$ 1,190,292	\$ 815,533
The UPD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	100.2%	103.5%
<b>Tier 2 Public Safety System:</b>		
The UPD's proportion of the net pension liability (asset)	1.6836008%	1.5274246%
The UPD's proportionate share of the net pension liability (asset)	\$ (24,598)	\$ (22,596)
The UPD's covered employee payroll	\$ 1,001,980	\$ 632,787
The UPD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-2.5%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability	110.7%	120.5%

These schedules only present information for 2014 and subsequent measurement periods of the plans; prior-year information is not available.

**UNIFIED POLICE DEPARTMENT**  
**Schedules of UPD Contributions**  
**Utah Retirement Systems**  
Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>
<b>Tier 1 Noncontributory System:</b>		
Contractually required contribution	\$ 907,006	\$ 918,960
Contributions in relation to the contractually required contribution	<u>(907,006)</u>	<u>(918,960)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
UPD's covered-employee payroll	\$ 4,935,519	\$ 5,099,127
Contributions as a percentage of covered-employee payroll	18.38%	18.02%
<b>Tier 1 Public Safety System:</b>		
Contractually required contribution	\$ 6,902,711	\$ 6,867,562
Contributions in relation to the contractually required contribution	<u>(6,902,711)</u>	<u>(6,867,562)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
UPD's covered-employee payroll	\$ 23,408,249	\$ 23,335,441
Contributions as a percentage of covered-employee payroll	29.49%	29.43%
<b>Tier 2 Contributory System:</b>		
Contractually required contribution	\$ 209,489	\$ 144,457
Contributions in relation to the contractually required contribution	<u>(209,489)</u>	<u>(144,457)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
UPD's covered-employee payroll	\$ 1,405,018	\$ 967,446
Contributions as a percentage of covered-employee payroll	14.91%	14.93%
<b>Tier 2 Public Safety System:</b>		
Contractually required contribution	\$ 239,486	\$ 181,560
Contributions in relation to the contractually required contribution	<u>(239,486)</u>	<u>(181,560)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
UPD's covered-employee payroll	\$ 1,174,526	\$ 888,259
Contributions as a percentage of covered-employee payroll	20.39%	20.44%

These schedules only present information for 2015 and subsequent reporting periods; prior-year information is not available. Contributions as a percentage of covered-employee payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. Tier 2 plan contributions include required contributions to finance the unfunded actuarial accrued liability of the Tier 1 plans and for death benefits.

**UNIFIED POLICE DEPARTMENT**  
**Notes to Required Supplementary Information**

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**Changes in assumptions-Utah Retirement Systems** – Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015 valuation:

- The wage inflation assumption for all employee groups was decreased from 3.75% to 3.50%.
- The rate of salary increases assumption for most groups was modified.
- The payroll growth assumption was decreased from 3.50% to 3.25%.
- The post retirement mortality assumption for female educators showed an improvement.
- Minor adjustments to the preretirement mortality assumption were made.
- Certain demographic assumptions were changed that generally resulted in a) an increase in members anticipated to terminate employment prior to retirement, b) a slight decrease in members expected to become disabled, and 3) a slight increase in the expected age of retirement.

## **Other Information**

**UNIFIED POLICE DEPARTMENT**  
**COMPARATIVE STATEMENTS OF NET POSITION (Accrual Basis)**  
**GOVERNMENTAL ACTIVITIES**  
Last Five Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>					
Cash and investments	\$ 12,030,412	\$ 13,173,887	\$ 11,675,944	\$ 10,927,902	\$ 11,376,745
Receivables	1,665,018	1,045,740	1,235,765	2,390,023	1,832,934
Prepaid items and deposits	671,239	533,825	1,119,697	1,078,798	1,002,290
Net pension asset	25,000	27,634	-	-	-
Capital assets:					
Equipment, net of accumulated depreciation	1,161,851	1,386,052	1,725,534	1,810,396	873,080
Vehicles, net of accumulated depreciation	8,385,252	8,041,479	7,681,711	7,056,894	5,783,599
Total assets	<u>23,938,772</u>	<u>24,208,617</u>	<u>23,438,651</u>	<u>23,264,013</u>	<u>20,868,648</u>
<b>Deferred outflows of resources:</b>					
Related to pensions	13,498,447	5,514,875	-	-	-
<b>Liabilities:</b>					
Accounts payable	1,578,130	1,815,737	1,525,016	1,490,079	733,986
Accrued salaries and related benefits	2,709,862	2,641,856	1,886,803	1,690,965	1,665,867
Long-term liabilities:					
Portion due or payable within one year	241,604	1,383,736	1,306,697	1,096,454	1,001,499
Portion due or payable after one year	34,498,393	27,931,683	10,408,117	8,233,381	6,329,778
Total liabilities	<u>39,027,989</u>	<u>33,773,012</u>	<u>15,126,633</u>	<u>12,510,879</u>	<u>9,731,130</u>
<b>Deferred inflows of resources:</b>					
Related to pensions	2,043,242	2,107,001	-	-	-
<b>Net position:</b>					
Investment in capital assets	9,547,103	9,427,531	9,407,245	8,867,290	6,656,679
Restricted	30,000	30,000	30,000	270,446	260,366
Unrestricted (deficit)	<u>(13,211,115)</u>	<u>(15,614,052)</u>	<u>(1,125,227)</u>	<u>1,615,398</u>	<u>4,220,473</u>
Total net position	<u>\$ (3,634,012)</u>	<u>\$ (6,156,521)</u>	<u>\$ 8,312,018</u>	<u>\$ 10,753,134</u>	<u>\$ 11,137,518</u>

The UPD implemented GASB Statements 68 and 71 in 2015, recording its proportional share of net pension liabilities.

**UNIFIED POLICE DEPARTMENT  
COMPARATIVE STATEMENTS OF ACTIVITIES (Accrual Basis)  
GOVERNMENTAL ACTIVITIES**

Last Five Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Expenses:</b>					
Law enforcement services	\$ 66,601,312	\$ 64,047,186	\$ 66,243,867	\$ 62,622,773	\$ 52,397,351
<b>Program revenues:</b>					
Law enforcement services	<u>3,175,911</u>	<u>3,011,651</u>	<u>2,988,350</u>	<u>3,660,332</u>	<u>2,960,716</u>
Net (expense) revenue	<u>(63,425,401)</u>	<u>(61,035,535)</u>	<u>(63,255,517)</u>	<u>(58,962,441)</u>	<u>(49,436,635)</u>
<b>General revenues:</b>					
Member fees	65,588,354	63,304,031	60,554,308	58,379,339	49,631,010
Interest earnings	55,883	42,732	44,542	61,813	62,432
Contributions	74,433	47,758	52,250	14,040	-
Miscellaneous	<u>229,240</u>	<u>151,600</u>	<u>163,301</u>	<u>122,865</u>	<u>176,130</u>
Total general revenues	<u>65,947,910</u>	<u>63,546,121</u>	<u>60,814,401</u>	<u>58,578,057</u>	<u>49,869,572</u>
Change in net position	2,522,509	2,510,586	(2,441,116)	(384,384)	432,937
<b>Net position - beginning</b>	<u>(6,156,521)</u>	<u>(8,667,107)</u>	<u>10,753,134</u>	<u>11,137,518</u>	<u>10,704,581</u>
<b>Net position - ending</b>	<u>\$ (3,634,012)</u>	<u>(6,156,521)</u>	<u>8,312,018</u>	<u>10,753,134</u>	<u>\$ 11,137,518</u>

The UPD implemented GASB Statements 68 and 71 in 2015, restating and decreasing beginning net position by \$16,979,125 for 2015.



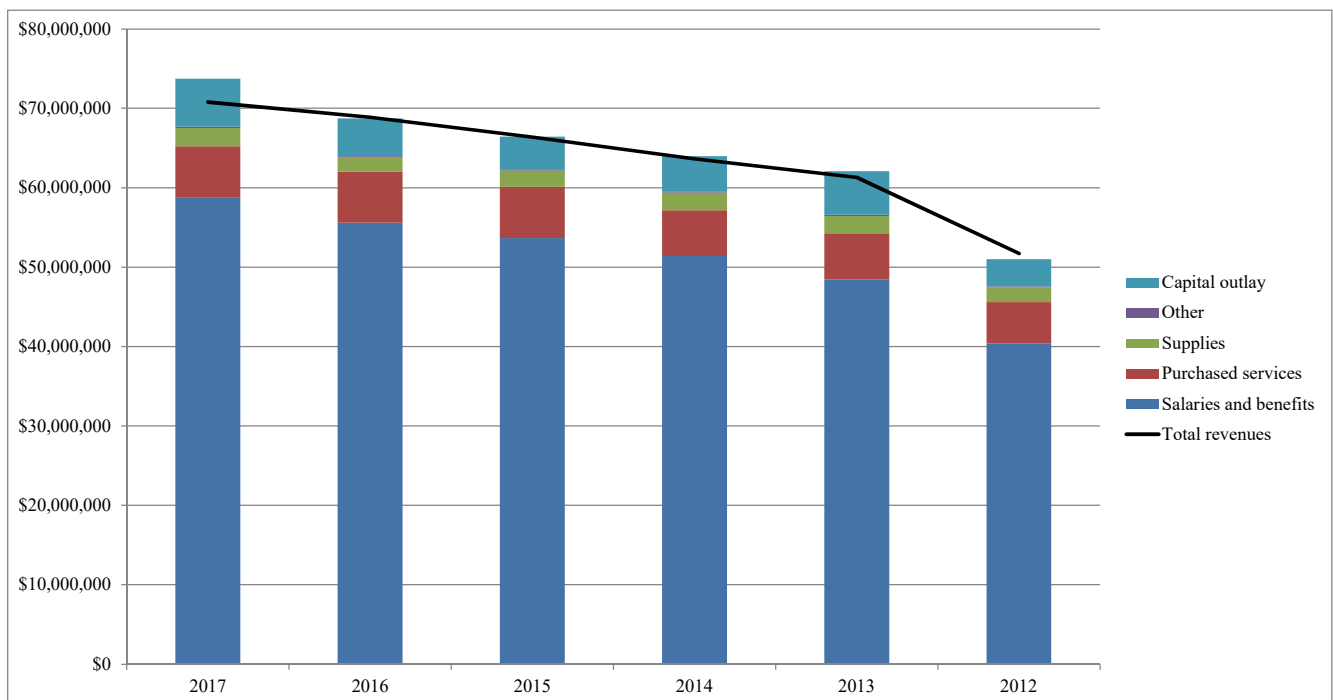
**UNIFIED POLICE DEPARTMENT**  
**GENERAL FUND**  
**COMPARATIVE BALANCE SHEETS (Modified Accrual Basis)**  
Last Five Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Assets:</b>					
Cash and investments	\$ 9,089,940	\$ 9,805,402	\$ 8,001,063	\$ 6,758,555	\$ 7,353,274
Receivables:					
Local	1,362,173	707,026	1,030,187	1,233,517	1,832,934
State	128,373	187,840	105,092	597,309	-
Federal	166,177	142,579	92,191	550,902	-
Prepaid items and deposits	671,239	533,825	1,119,697	1,078,798	1,002,290
Total assets	<u>\$ 11,417,902</u>	<u>\$ 11,376,672</u>	<u>\$ 10,348,230</u>	<u>\$ 10,219,081</u>	<u>\$ 10,188,498</u>
<b>Liabilities:</b>					
Accounts and contracts payable	\$ 1,578,130	\$ 1,815,737	\$ 1,525,017	\$ 1,490,079	\$ 733,986
Accrued payroll and related benefits	2,709,862	2,641,856	1,886,803	1,690,965	1,665,867
Total liabilities	<u>4,287,992</u>	<u>4,457,593</u>	<u>3,411,820</u>	<u>3,181,044</u>	<u>2,399,853</u>
<b>Fund balances:</b>					
Nonspendable:					
Prepaid items and deposits	671,239	533,825	1,119,697	1,078,798	1,002,290
Restricted for:					
Forfeitures	-	-	-	234,869	214,789
Officer Friendly program	-	-	-	35,577	35,577
SWAT program	-	-	-	-	10,000
Other purposes	30,000	30,000	30,000	-	-
Committed to:					
Compensated absences obligation	1,256,314	1,155,477	1,067,627	1,096,454	1,001,499
Self-insurance	750,000	750,000	750,000	750,000	750,000
Assigned to:					
Evidence	285,073	264,511	278,411	331,366	308,990
Forfeitures	276,781	225,828	152,942	-	-
Pager program	-	48,310	98,310	148,310	148,310
Unassigned	3,860,503	3,911,128	3,439,423	3,362,663	4,317,190
Total fund balances	<u>7,129,910</u>	<u>6,919,079</u>	<u>6,936,410</u>	<u>7,038,037</u>	<u>7,788,645</u>
Total liabilities and fund balances	<u>\$ 11,417,902</u>	<u>\$ 11,376,672</u>	<u>\$ 10,348,230</u>	<u>\$ 10,219,081</u>	<u>\$ 10,188,498</u>
Unassigned fund balance as a percent of general fund expenditures	5.6%	5.9%	5.4%	5.4%	8.5%

**UNIFIED POLICE DEPARTMENT  
GENERAL FUND**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Modified Accrual Basis)  
Last Five Fiscal Years with Anticipated Budget for 2017**

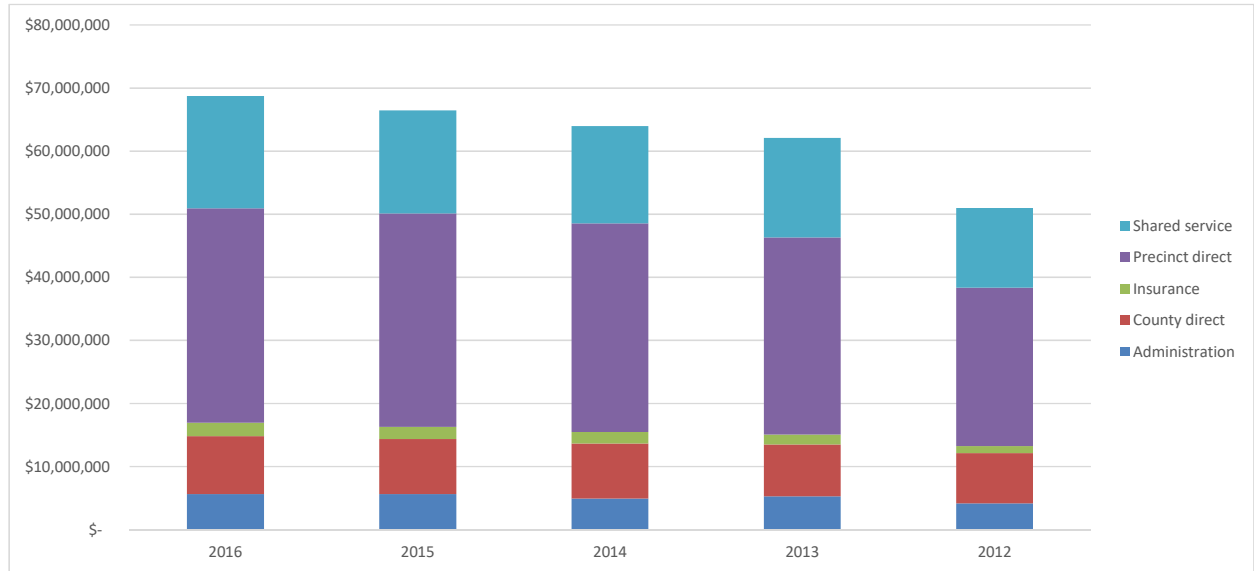
	<b>Anticipated Budget 2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>						
Police and emergency protection services for members	\$ 67,988,807	\$ 65,433,290	\$ 63,148,957	\$ 60,452,184	\$ 57,464,043	\$ 48,535,445
Licenses and fees	931,518	1,025,142	1,096,175	998,427	1,430,091	871,789
Other services	1,112,000	1,022,011	1,072,899	1,086,143	1,071,299	1,034,225
State awards	175,000	404,784	193,083	172,603	212,920	164,160
Federal awards	531,648	630,485	616,416	702,275	815,456	841,931
Forfeitures	200	93,489	33,078	28,902	130,566	34,211
Interest earnings	30,000	55,883	42,732	44,542	61,813	62,432
Contributions	20,200	55,501	43,810	52,250	14,040	14,400
Other	18,000	162,420	146,510	129,843	110,683	176,130
<b>Total revenues</b>	<b>70,807,373</b>	<b>68,883,005</b>	<b>66,393,660</b>	<b>63,667,169</b>	<b>61,310,911</b>	<b>51,734,723</b>
<b>Expenditures:</b>						
Current:						
Law enforcement services:						
Salaries and benefits	58,717,157	55,576,318	53,654,291	51,394,323	48,467,180	40,411,980
Purchased services	6,497,219	6,469,878	6,433,597	5,749,621	5,787,282	5,175,240
Supplies	2,296,168	1,819,225	2,090,597	2,225,383	2,190,752	1,858,586
Other	172,486	92,712	152,792	157,612	166,570	129,711
Capital outlay	6,061,164	4,780,861	4,084,804	4,430,029	5,461,917	3,410,566
<b>Total expenditures</b>	<b>73,744,194</b>	<b>68,738,994</b>	<b>66,416,081</b>	<b>63,956,968</b>	<b>62,073,701</b>	<b>50,986,083</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,936,821)</b>	<b>144,011</b>	<b>(22,421)</b>	<b>(289,799)</b>	<b>(762,790)</b>	<b>748,640</b>
<b>Other financing sources (uses):</b>						
Proceeds from sale of capital assets	200	66,820	5,090	33,458	12,182	-
<b>Net change in fund balances</b>	<b>(2,936,621)</b>	<b>210,831</b>	<b>(17,331)</b>	<b>(256,341)</b>	<b>(750,608)</b>	<b>748,640</b>
<b>Fund Balances - Beginning</b>	<b>7,129,910</b>	<b>6,919,079</b>	<b>6,936,410</b>	<b>7,192,751</b>	<b>7,788,645</b>	<b>7,040,005</b>
<b>Fund Balances - Ending</b>	<b>\$ 4,193,289</b>	<b>\$ 7,129,910</b>	<b>\$ 6,919,079</b>	<b>\$ 6,936,410</b>	<b>\$ 7,038,037</b>	<b>\$ 7,788,645</b>



Notes:  
The 2017 anticipated budget is from the proposed budget approved by the Board in June 2016.

**UNIFIED POLICE DEPARTMENT**  
**GENERAL FUND EXPENDITURES BY COST CENTER**  
 Last Five Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Expenditures by Cost Center:</b>					
Administration	\$ 5,627,847	\$ 5,655,354	\$ 4,912,205	\$ 5,275,273	\$ 4,161,449
County direct	9,191,950	8,702,506	8,723,632	8,198,473	7,951,827
Insurance	2,135,095	1,928,311	1,844,219	1,575,536	1,107,168
Precinct direct	33,954,567	33,832,837	33,065,955	31,275,112	25,126,376
Shared service	17,829,535	16,297,073	15,410,957	15,749,307	12,639,263
<b>Total expenditures</b>	<b>\$ 68,738,994</b>	<b>\$ 66,416,081</b>	<b>\$ 63,956,968</b>	<b>\$ 62,073,701</b>	<b>\$ 50,986,083</b>



## **Compliance Reports**



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

Board of Directors  
Unified Police Department

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Unified Police Department (the UPD), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the UPD's basic financial statements, and have issued our report thereon dated November 14, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the UPD's internal control. Accordingly, we do not express an opinion on the effectiveness of the UPD's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the UPD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the UPD's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink that reads "Agui & Company, PC". The signature is written in a cursive, flowing style.

Orem, Utah  
November 14, 2016



Independent Auditor's Report on Compliance  
and Report on Internal Control over Compliance  
Required by the *State Compliance Audit Guide*

Board of Directors  
Unified Police Department

**Report on Compliance**

We have audited the compliance of Unified Police Department (the UPD) with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2016.

Budgetary Compliance  
Fund Balance  
Utah Retirement Systems  
Restricted Taxes and Related Revenues  
Open and Public Meetings Act  
Treasurer's Bond  
Cash Management

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on the UPD's compliance based on our audit of the state compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the UPD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the UPD's compliance with those requirements.

### ***Opinion on Compliance***

In our opinion, Unified Police Department complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

Management of the UPD is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 our opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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.

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

*Aguirre & Company, PC*

Orem, Utah  
November 14, 2016