

UNIFIED POLICE DEPARTMENT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 10 to the basic financial statements, in 2015, the UPD adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, 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
December 11, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements and notes.

FINANCIAL HIGHLIGHTS

- The UPD's net position was a deficit balance of \$6.2 million at the close of the most recent fiscal year.
- During the year, expenses were \$2.5 million less than the \$66.5 million generated in member fees and other revenues for governmental activities. Last year, expenses were greater 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 \$6.9 million.
- The UPD implemented new accounting and reporting standards for pensions resulting in a restatement of net position in the government-wide financial statements. The UPD now recognizes a liability for its proportionate share of unfunded obligations of defined benefit pension plans administered by Utah Retirement Systems.

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 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 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 35 of this report.

Required Supplementary 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 36 through 38 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 \$6.2 million at the close of the most recent fiscal year.

The largest portion of the UPD's net position is an unrestricted deficit of \$15.6 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 includes 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 (\$9.4 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, 2015 and 2014 (in millions of dollars)

	Governmental Activities		
	2015	2014	Change 2015-2014
Current and other assets	\$ 14.8	\$ 14.0	\$ 0.8
Capital assets	9.4	9.4	-
Total assets	24.2	23.4	0.8
Deferred outflows of resources	5.5	3.9	1.6
Other liabilities	4.5	3.4	1.1
Long-term liabilities outstanding	29.3	32.6	(3.3)
Total liabilities	33.8	36.0	(2.2)
Deferred inflows of resources	2.1	-	2.1
Net position:			
Invested in capital assets	9.4	9.4	-
Unrestricted (deficit)	(15.6)	(18.1)	2.5
Total net position	\$ (6.2)	\$ (8.7)	\$ 2.5

Governmental activities – The key elements of the \$2.5 million increase of the UPD's net position for the year ended June 30, 2015 are as follows:

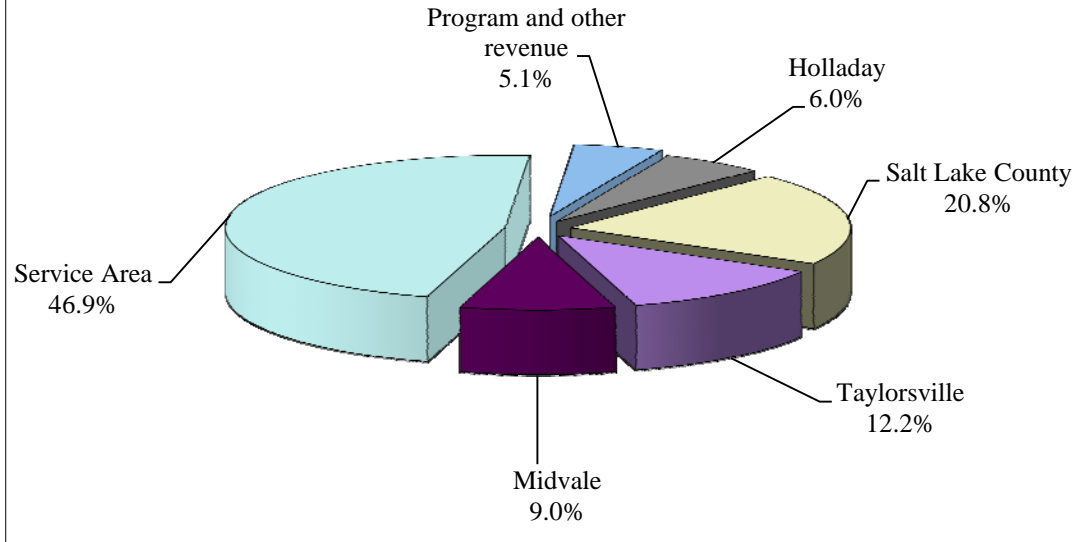
- Revenues totaled \$66.5 million for the year ended June 30, 2015, which is an increase of \$2.8 million compared to the prior year. The largest net dollar increase in revenues is from member fees. The \$2.8 million increase in member fees was primarily due to the costs of providing law enforcement services.
- Expenses totaled \$64.0 million during the current year, which is a decrease of \$2.2 million over the prior year. This decrease is largely from a decrease in pension expense.

- Member fees comprise 95.2 and 95.0 percent of the UPD's revenue used to provide law enforcement services to its members for the years ended June 30, 2015 and 2014, respectively.

UNIFIED POLICE DEPARTMENT'S Changes in Net Position
Years Ended June 30, 2015 and 2014
(in millions of dollars)

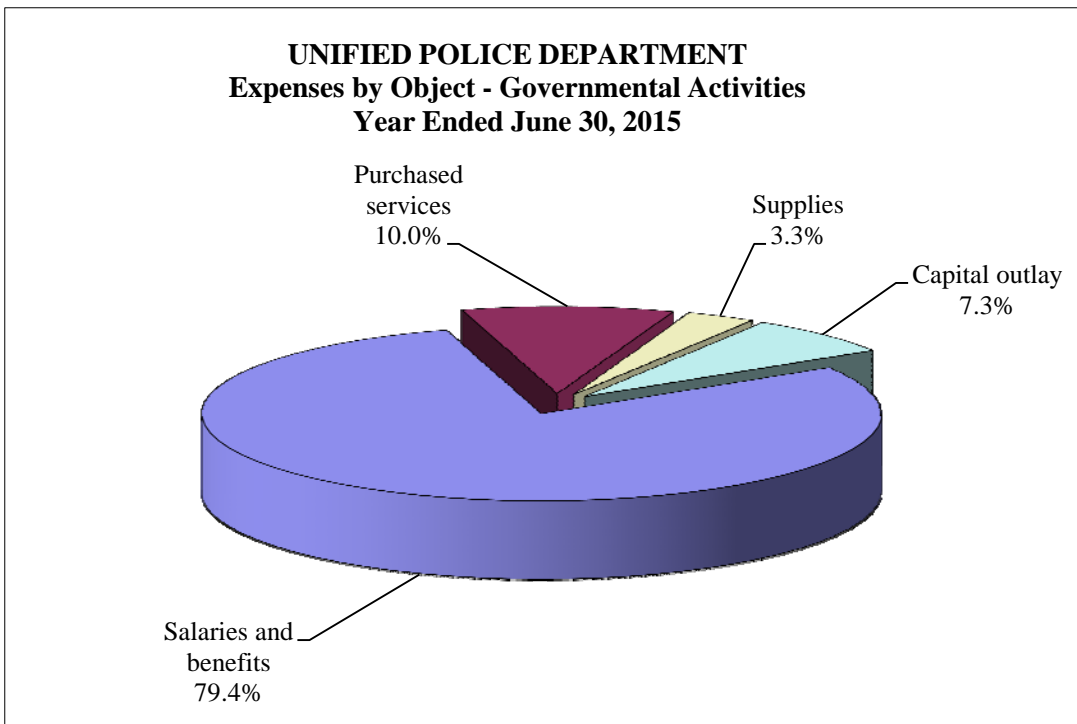
	Governmental Activities		
	2015	2014	Change 2015-2014
Revenues:			
Program revenues:			
Charges for services	\$ 2.2	\$ 2.1	\$ 0.1
Operating grants and contributions	0.8	0.9	(0.1)
General revenues:			
Member fees	63.3	60.5	2.8
Other revenue	0.2	0.2	-
Total revenues	<u>66.5</u>	<u>63.7</u>	<u>2.8</u>
Expenses:			
Law enforcement services	<u>64.0</u>	<u>66.2</u>	<u>(2.2)</u>
Changes in net position	2.5	(2.5)	5.0
Net position - beginning	(8.7)	10.8	(19.5)
Net effect of prior period restatement	<u>-</u>	<u>(17.0)</u>	<u>17.0</u>
Net position - ending	<u>\$ (6.2)</u>	<u>\$ (8.7)</u>	<u>\$ 2.5</u>

**UNIFIED POLICE DEPARTMENT
Revenues by Source - Governmental Activities
Year Ended June 30, 2015**



- Salaries and benefits represent the largest dollar portion of expense of \$50.8 million or 79.4 percent of law enforcement services.

**UNIFIED POLICE DEPARTMENT
Expenses by Object - Governmental Activities
Year Ended June 30, 2015**



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, 2015, the UPD’s governmental fund reported a fund balance of \$6.9 million. The following information on revenues and expenditures should be noted:

- Revenues for police and emergency protection services for members totaled \$63.1 million or 95.1 percent of total revenues. This is an increase of \$2.6 million over the prior year.
- Expenditures totaled \$66.4 million, which is an increase of \$2.4 million over the prior year.
- Salaries totaled \$34.7 million while the associated fringe benefits of retirement, social security, unemployment, and health insurance added \$19.0 million to arrive at 80.8 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, 2015, the UPD’s governmental fund balance is \$6.9 million (\$0.5 million in nonspendable, \$1.9 million in committed, \$0.5 million in assigned, and \$4.0 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 expenditures, mostly to account for anticipated increases in police and emergency protection services for members, federal funding, and other services.

With these adjustments, actual expenditures were \$2.1 million less than final budgeted amounts. The most significant positive variances were \$1.3 million in capital outlay and \$0.9 million in salaries and benefits.

CAPITAL ASSETS

At June 30, 2015, the majority of the UPD’s capital assets are fleet vehicles (\$8.0 million net of accumulated depreciation). The UPD purchased \$2.9 million of vehicles during the year ended June 30, 2015.

Capital assets are outlined below:

UNIFIED POLICE DEPARTMENT'S Capital Assets
June 30, 2015 and 2014
(net of accumulated depreciation, in millions of dollars)

	<u>Governmental Activities</u>		
	<u>2015</u>	<u>2014</u>	<u>Change</u> <u>2015-2014</u>
Equipment	\$ 1.4	\$ 1.7	\$ (0.3)
Fleet vehicles	8.0	7.7	0.3
Total	<u>\$ 9.4</u>	<u>\$ 9.4</u>	<u>\$ -</u>

Additional information on the UPD's capital assets can be found in Note 3 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, 2015

	Governmental Activities
Assets:	
Cash and investments	\$ 13,173,887
Receivables	1,045,740
Prepaid items and deposits	533,825
Net pension asset	27,634
Capital assets:	
Equipment, net of accumulated depreciation	1,386,052
Vehicles, net of accumulated depreciation	8,041,479
Total assets	24,208,617
Deferred outflows of resources:	
Related to pensions	5,514,875
Liabilities:	
Accounts payable	1,815,737
Accrued salaries and related benefits	2,641,856
Long-term liabilities:	
Portion due or payable within one year	1,383,736
Portion due or payable after one year	27,931,683
Total liabilities	33,773,012
Deferred inflows of resources:	
Related to pensions	2,107,001
Net position:	
Investment in capital assets	9,427,531
Restricted	30,000
Unrestricted (deficit)	(15,614,052)
Total net position	\$ (6,156,521)

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

UNIFIED POLICE DEPARTMENT
Statement of Activities
Year Ended June 30, 2015

<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>
Governmental activities:				
Law enforcement services	\$ 64,047,186	\$ 2,202,152	\$ 809,499	\$ (61,035,535)
	General revenue:			
	Member fees			63,304,031
	Interest earnings			42,732
	Contributions			47,758
	Miscellaneous			151,600
	Total general revenue			<u>63,546,121</u>
	Change in net position			2,510,586
	Net position - beginning, as restated			<u>(8,667,107)</u>
	Net position - ending			<u>\$ (6,156,521)</u>

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

UNIFIED POLICE DEPARTMENT
Balance Sheet
Governmental Fund
June 30, 2015

	General
Assets:	
Cash and investments	\$ 9,805,402
Receivables:	
Local	707,026
State	187,840
Federal	142,579
Prepaid items and deposits	533,825
Total assets	\$ 11,376,672
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 1,815,737
Accrued salaries and related benefits	2,641,856
Total liabilities	4,457,593
Fund balances:	
Nonspendable:	
Prepaid items and deposits	533,825
Restricted for:	
Other purposes	30,000
Committed to:	
Compensated absences obligation	1,155,477
Self-insurance	750,000
Assigned to:	
Evidence	264,511
Forfeitures	225,828
Pager program	48,310
Unassigned	3,911,128
Total fund balances	6,919,079
Total liabilities and fund balances	\$ 11,376,672

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, 2015

Total fund balances for governmental fund		\$ 6,919,079
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.		27,634
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	\$ 8,145,086	
Accumulated depreciation	<u>(6,759,034)</u>	1,386,052
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.		11,418,259
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	(4,027,161)	
Claims payable	(456,518)	
Net OPEB obligation	(8,637,163)	
Net pension liability	(16,194,577)	
Deferred outflows of resources related to pensions	5,514,875	
Deferred inflows of resources related to pensions	<u>(2,107,001)</u>	<u>(25,907,545)</u>
Total net position of governmental activities		<u><u>\$ (6,156,521)</u></u>

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, 2015

	General
Revenues:	
Police and emergency protection services for members	\$ 63,148,957
Licenses and fees	1,096,175
Other services	1,072,899
State awards	193,083
Federal awards	616,416
Forfeitures	33,078
Interest earnings	42,732
Contributions	43,810
Other	146,510
Total revenues	66,393,660
Expenditures:	
Current:	
Law enforcement services:	
Salaries and benefits	53,654,291
Purchased services	6,433,597
Supplies	2,090,597
Other	152,792
Capital outlay	4,084,804
Total expenditures	66,416,081
Excess of expenditures over revenues	(22,421)
Other financing source - Proceeds from sale of capital assets	5,090
Net change in fund balance	(17,331)
Fund balance - beginning	6,936,410
Fund balance - ending	\$ 6,919,079

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, 2015

Net change in fund balance-total governmental fund \$ (17,331)

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	\$ 224,757	
Proceeds from sale of capital assets	(5,090)	
Gain on sale of capital assets	5,090	
Depreciation expense	<u>(564,239)</u>	(339,482)

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. 53,372

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	(43,256)	
Claims expense	21,621	
Net OPEB expense	(1,384,394)	
Pension expense	<u>4,220,056</u>	<u>2,814,027</u>

Change in net position of governmental activities \$ 2,510,586

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Police and emergency protection services for members	\$ 63,028,036	\$ 63,148,957	\$ 63,148,957	\$ -
Licenses and fees	824,018	834,018	1,096,175	262,157
Other services	832,600	1,172,544	1,072,899	(99,645)
State awards	175,000	175,000	193,083	18,083
Federal awards	510,910	632,510	616,416	(16,094)
Forfeitures	200	200	33,078	32,878
Interest earnings	30,000	30,000	42,732	12,732
Contributions	20,200	27,600	43,810	16,210
Other	18,000	88,760	146,510	57,750
Total revenues	<u>65,438,964</u>	<u>66,109,589</u>	<u>66,393,660</u>	<u>284,071</u>
Expenditures:				
Current:				
Law enforcement services:				
Salaries and benefits	54,301,869	54,581,917	53,654,291	927,626
Purchased services	6,194,939	6,138,639	6,433,597	(294,958)
Supplies	2,196,122	2,250,695	2,090,597	160,098
Other	173,852	191,086	152,792	38,294
Capital outlay	4,977,179	5,385,149	4,084,804	1,300,345
Total expenditures	<u>67,843,961</u>	<u>68,547,486</u>	<u>66,416,081</u>	<u>2,131,405</u>
Excess of expenditures over revenues	(2,404,997)	(2,437,897)	(22,421)	2,415,476
Other financing sources:				
Proceeds from sale of capital assets	200	7,100	5,090	(2,010)
Net change in fund balance	(2,404,797)	(2,430,797)	(17,331)	2,413,466
Fund balance - beginning	<u>6,936,410</u>	<u>6,936,410</u>	<u>6,936,410</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,531,613</u>	<u>\$ 4,505,613</u>	<u>\$ 6,919,079</u>	<u>\$ 2,413,466</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, 2015

	Governmental Activities - Internal Service Fund <hr/> Vehicle Replacement <hr/>
Assets:	
Current assets:	
Cash and investments	\$ 3,368,485
Accounts receivable	8,295
Total current assets	3,376,780
Noncurrent assets:	
Capital assets:	
Fleet vehicles	14,022,395
Accumulated depreciation	(5,980,916)
Total noncurrent assets	8,041,479
Total assets	11,418,259
Net position:	
Investment in capital assets	8,041,479
Unrestricted	3,376,780
Total net position	\$ 11,418,259

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, 2015

	<u>Governmental Activities - Internal Service Fund Vehicle Replacement</u>
Operating revenues:	
Charges for services - vehicle replacement fees	\$ 2,273,800
Operating expenses:	
Purchased property services	469,425
Depreciation	<u>1,910,025</u>
Total operating expenses	<u>2,379,450</u>
Operating loss	(105,650)
Nonoperating revenues:	
Contributed capital from Salt Lake County	3,948
Gain on sale of capital assets	<u>155,074</u>
Total nonoperating revenues	<u>159,022</u>
Change in net position	53,372
Net position - beginning	<u>11,364,887</u>
Net position - ending	<u><u>\$ 11,418,259</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, 2015

	Governmental Activities - Internal Service Fund <u>Vehicle Replacement</u>
Cash flows from operating activities:	
Receipts for interfund services provided	\$ 2,273,800
Payments to vendors	(469,425)
Net cash provided by operating activities	<u>1,804,375</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(2,869,294)
Proceeds from sale of capital assets	<u>758,523</u>
Net cash used by capital and related financing activities	<u>(2,110,771)</u>
Net change in cash and cash equivalents	(306,396)
Cash and cash equivalents - beginning	<u>3,674,881</u>
Cash and cash equivalents - ending (displayed on the statement of fund net position as <i>cash and investments</i>)	<u><u>\$ 3,368,485</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (105,650)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	<u>1,910,025</u>
Net cash provided by operating activities	<u><u>\$ 1,804,375</u></u>
No noncash investing, capital, and financing activities.	

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

UNIFIED POLICE DEPARTMENT
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2015

ASSETS:

Cash and investments	\$ 313,132
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LIABILITIES:

Deposits held for others:

Evidence	\$ 38,295
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Pending forfeiture	259,348
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Civil service fees	15,489
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Total liabilities	<u>\$ 313,132</u>
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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

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, comprised of a mayor or council member from each member city, 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:

- **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.

UNIFIED POLICE DEPARTMENT Notes to Basic Financial Statements

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 UPD's Board of Directors. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the Board of Directors. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned.** This category includes General Fund balance amounts that 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.

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

UNIFIED POLICE DEPARTMENT

Notes to Basic Financial Statements

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 are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, 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, net other postemployment benefits (OPEB), and claims related to workers' compensation obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

Budgets and Budgetary Accounting – 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:

- For the fiscal year beginning July 1, the fiscal officer prepares a proposed budget for all funds which is presented to the Board of Directors on or before June 1.

UNIFIED POLICE DEPARTMENT

Notes to Basic Financial Statements

- After a public hearing is held, the Board of Directors, by resolution, legally adopts the final budget no later than June 22.
- Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the fiscal officer; however, increases in appropriations at the overall fund level require a public hearing prior to amending the budget. In accordance with Utah State law and with Board policy, administration may make interim adjustments from one appropriation (at the program, function, or object level) to another within any given fund without seeking the immediate approval of the Board. The Board approves these changes later in the year.
- The total budgeted expenditures of a given fund may not exceed the expected revenues for the fiscal year plus the fund balance. Control of the budget is exercised at the overall fund level.
- Interim adjustments in estimated revenue and appropriations during the year ended June 30, 2015 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, 2015.

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

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

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/inflows 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 is deferred outflows of resources related to pensions which includes a) net difference between projected and actual earnings on pension plan investments and b) UPD contributions subsequent to the measurement date of December 31, 2014.

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 and b) changes of assumptions in the measurement of the net pension liability/asset.

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2015, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 7,418,718
Carrying amount of investments	6,068,301
Total cash and investments	\$ 13,487,019
Governmental fund cash and investments	\$ 9,805,402
Proprietary fund cash and investments	3,368,485
Governmental activity cash and investments	13,173,887
Agency fund cash and investments	313,132
Total cash and investments	\$ 13,487,019

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.

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, 2015, the UPD had the following deposits with financial institutions:

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

	Carrying Amount	Bank Balance	Amount Insured
Total deposits	\$ 7,418,718	\$ 7,771,528	\$ 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, 2015, all of the UPD’s bank deposits were insured and uncollateralized. No deposits are collateralized nor are they required to be by state statute.

Investments – At June 30, 2015, the UPD had \$6,068,301 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 65 days. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, is as follows:

	Balance at June 30, 2014	From Salt Lake County	Increases	Decreases	Balance at June 30, 2015
Governmental activities:					
Capital assets being depreciated:					
Equipment	\$ 7,920,328	\$ -	\$ 224,757	\$ -	\$ 8,145,085
Fleet vehicles	13,298,753	19,738	2,869,294	(2,165,389)	14,022,396
Total capital assets being depreciated	21,219,081	19,738	3,094,051	(2,165,389)	22,167,481
Accumulated depreciation for:					
Equipment	(6,194,794)	-	(564,239)	-	(6,759,033)
Fleet vehicles	(5,617,042)	(15,790)	(1,910,025)	1,561,940	(5,980,917)
Total accumulated depreciation	(11,811,836)	(15,790)	(2,474,264)	1,561,940	(12,739,950)
Total capital assets being depreciated, net	\$ 9,407,245	\$ 3,948	\$ 619,787	\$ (603,449)	\$ 9,427,531

Depreciation expense for the year ended June 30, 2015 was charged to functions of the UPD as follows:

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

Governmental activities:

Law enforcement services	\$ 564,239
Depreciation on capital assets of the internal service fund charged to the various functions based on their usage of the assets	<u>1,910,025</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,474,264</u></u>

4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, is as follows:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Portion Due Within One Year
Governmental activities:					
Compensated absences obligation	\$ 3,983,905	\$ 4,683,394	\$ (4,640,138)	\$ 4,027,161	\$ 1,155,477
Claims payable	478,139	208,457	(230,078)	456,518	228,259
Net OPEB obligation	7,252,769	1,471,632	(87,238)	8,637,163	-
Net pension liability	<u>20,934,665</u>	<u>3,388,789</u>	<u>(8,128,877)</u>	<u>16,194,577</u>	<u>-</u>
Total governmental activity long-term liabilities	<u><u>\$ 32,649,478</u></u>	<u><u>\$ 9,752,272</u></u>	<u><u>\$ (13,086,331)</u></u>	<u><u>\$ 29,315,419</u></u>	<u><u>\$ 1,383,736</u></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, 2015 to be \$4,027,161. These obligations will be paid by the General Fund.

See Note 5, Note 6, and Note 8 to the basic financial statements for a discussion regarding the UPD's net pension liability, net other postemployment benefit obligation, and claims payable.

5. 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)

UNIFIED POLICE DEPARTMENT Notes to Basic Financial Statements

- 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
- 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.

Benefits provided – The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits are determined from 1.5% to 2.0% of the employee’s highest 3 or 5 years of compensation times the employee’s years of service depending on the pension plan. Employees are eligible to retire based on years of service and age.

Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made. 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.

Defined benefit pension plan contribution rates for the year ended December 31, 2014 were from 14.83% to 32.20%. Defined contribution plan contribution rates for the year ended December 31, 2014 were from 1.28% to 12.00%. Employees can make additional contributions to defined contribution plans subject to limitations.

For the year ended December 31, 2014, 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	\$ 972,583	\$ -
Tier 1 Public Safety System	6,912,963	-
Tier 2 Contributory System	68,590	-
Tier 2 Public Safety System	68,825	-
401(k) Plan	2,474,079	809,685
457 Plan and other individual plans	-	521,871

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2015, the UPD reported a net pension asset of \$27,364 and a net pension liability of \$16,194,577. The net pension asset and liability were measured as of December 31, 2014, 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, 2014. The UPD’s proportion of the net pension asset and liability were based on a projection of the UPD’s long-term share of contributions to the defined benefit pension plans relative to the projected contributions of all participating employers. At December 31, 2014, the UPD’s proportionate shares in the defined benefit pension plans were as follows:

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Tier 1 Noncontributory System	0.6188018%	\$ -	\$ 2,686,982
Tier 1 Public Safety System	34.1590237%	-	13,507,595
Tier 2 Contributory System	0.1662502%	5,038	-
Tier 2 Public Safety System	1.5284246%	22,596	-
Total		<u>\$ 27,634</u>	<u>\$ 16,194,577</u>

For the year ended December 31, 2014, the UPD recognized pension expense of \$3,908,821 for the defined benefit pension plans and of \$2,474,079 for the defined contribution plans. At June 30, 2015, the UPD reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,136,788	\$ 86,516
Changes of assumptions	-	2,020,485
Net difference between projected and actual earnings on pension plan investments	324,462	-
UPD contributions subsequent to the measurement date	4,053,625	-
Total	<u>\$ 5,514,875</u>	<u>\$ 2,107,001</u>

The \$4,053,625 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, 2016. 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:

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

Year Ending December 31,	Deferred Outflows (Inflows) of Resources
2015	\$ (124,305)
2016	(124,305)
2017	(124,305)
2018	(120,863)
2019	(119,341)
Thereafter	(32,632)

Actuarial assumptions – The total pension liability in the December 31, 2014 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 for retirees were developed from mortality tables and actual experience, based on gender, occupation, and age, as appropriate, with adjustments for mortality improvements.

The actuarial assumptions used in the January 1, 2014 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. 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:

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

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. 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.

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:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
The UPD's proportionate share of the net pension (asset) liability	\$ 38,198,249	\$ 16,166,943	\$ (1,924,357)

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

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – In addition to the pension benefits described in Note 5, the UPD provides postemployment health care through a single-employer defined benefit plan, to all employees who retire

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

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, 2015, the UPD's annual OPEB cost (expense) is \$1,471,632.

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

Required contribution (net OPEB cost)	\$ 1,423,591
Interest on net OPEB obligation	288,242
Adjustment to annual required contribution	<u>(240,201)</u>
Annual OPEB cost (expense)	1,471,632
Contributions made	<u>(87,238)</u>
Increase in net OPEB obligation	1,384,394
Net OPEB obligation - June 30, 2014	<u>7,252,769</u>
Net OPEB obligation - June 30, 2015	<u><u>\$ 8,637,163</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, 2015, 2014, and 2013 are as follows:

Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 1,771,704	\$ 90,843	5.1%	\$ 5,513,972
2014	1,782,910	44,113	2.5%	7,252,769
2015	1,471,632	87,238	5.9%	8,637,163

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2015 (the date of the most recent actuarial valuation) is as follows:

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

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

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

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

In the June 30, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 3.8 percent after nine years. Covered payroll included a 3.5 percent inflation assumption. The actuarial value of assets was not determined as 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.

7. 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 \$4,699 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.

8. 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

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

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, 2015, 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, 2015 and 2014 are listed as follows:

	2015	2014
Unpaid claims at beginning of year	\$ 478,139	\$ 154,714
Incurred claims	208,457	571,436
Claims paid	(230,078)	(248,011)
Unpaid claims at end of year	\$ 456,518	\$ 478,139

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

9. LITIGATION

At certain times, claims or lawsuits are pending in which 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.

10. RESTATEMENT

In 2015, the UPD adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—An Amendment of GASB Statement No. 68*.

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

The new standards require the UPD to recognize a liability in its government-wide financial statements for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plans as administered by Utah Retirement Systems)—the collective net pension liability. The UPD is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. UPD contributions to the pension plans subsequent to the measurement date (December 31) of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

The governmental fund financial statements of the UPD are not affected by these new standards. Pension expenditures in the governmental funds continue to be recognized equal to the total of a) amounts paid by the UPD to the pension plans and b) the change between the beginning and ending balances of amounts of contributions currently payable to the pensions.

The beginning net position reported in the government-wide financial statements of the UPD has been restated to reflect the new standards as follows:

Beginning net position, as previously stated	\$	8,312,018
Net pension asset		9,020
Net pension liability		(20,934,665)
Deferred outflows of resources related to pensions		3,946,520
Beginning net position, as restated	\$	(8,667,107)

The notes to the basic financial statements now include additional information about the defined benefit pension plans. Also, the UPD will be presenting in required supplementary information 10-year schedules containing a) the net pension liability and certain related ratios and b) information about statutorily required contributions, contributions to the pension plans, and related ratios. Because this is the first year such information is available, only one year of required supplementary information is presented with these financial statements; information for additional years will be presented in future reports as it becomes available.

The UPD's unrestricted net position at June 30, 2015 is a deficit balance of \$6.2 million. This balance includes the UPD's proportionate share of the unfunded obligation of the defined benefit pension plans administered by the URS as described in Note 5 to the basic financial statements. The existence of an unrestricted net position indicates the UPD's overall economic net position, but it does not necessarily reflect positively or negatively on the UPD's ability to meet its obligations as they come due.

UNIFIED POLICE DEPARTMENT
Schedule of Funding Progress
Other Postemployment Benefit Plan
Year Ended June 30, 2015

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

The AAL was significantly lowered as reported in the June 30, 2015 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
December 31, 2014

	Tier 1 Noncontributory System	Tier 1 Public Safety System	Tier 2 Contributory System	Tier 2 Public Safety System
The UPD's proportion of the net pension liability (asset)	0.6188018%	34.1590237%	0.1662502%	1.5274246%
The UPD's proportionate share of the net pension liability (asset)	\$ 2,686,982	\$ 13,507,595	\$ (5,038)	\$ (22,596)
The UPD's covered employee payroll	\$ 5,142,720	\$ 23,256,807	\$ 815,533	\$ 632,787
The UPD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.2%	58.1%	-0.6%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	89.0%	103.5%	120.5%

Note: These schedules only present information for 2014; prior-year information is not available.

UNIFIED POLICE DEPARTMENT
Schedules of UPD Contributions
Utah Retirement Systems
Year Ended December 31, 2014

	Tier 1 Noncontributory System	Tier 1 Public Safety System	Tier 2 Contributory System	Tier 2 Public Safety System
Contractually required contribution	\$ 972,583	\$ 6,912,963	\$ 68,590	\$ 68,825
Contributions in relation to the contractually required contribution	<u>(972,583)</u>	<u>(6,912,963)</u>	<u>(68,590)</u>	<u>(68,825)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
UPD's covered-employee payroll	\$ 5,142,720	\$ 23,256,807	\$ 815,533	\$ 632,787
Contributions as a percentage of covered-employee payroll	18.91%	29.72%	8.41%	10.88%

Notes: These schedules only present information for 2014; prior-year information is not available.
Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.

UNIFIED POLICE DEPARTMENT

COMPLIANCE REPORTS

Year Ended June 30, 2015

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UNIFIED POLICE DEPARTMENT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor Agency / Pass-Through Grantor / Program Title	Federal CFDA Number	Project Number	Project Name	Project Period	Receivable (Unearned) June 30, 2014	Received	Expended	Receivable (Unearned) June 30, 2015
U.S. DEPARTMENT OF AGRICULTURE								
Direct Programs:								
U.S. Forest Service	10.xxx	11-LE-11041914-050	Canyon Patrolling	10/01/12-09/30/13	\$ 5,677	\$ 19,785	\$ 25,871	\$ 11,763
U.S. DEPARTMENT OF JUSTICE								
Direct Programs:								
Bulletproof Vest Partnership Program	16.607	OMB 1121-0235	Bullet Proof Vest Grant	04/01/06-10/31/14	5,013	14,044	9,031	-
Recovery Act - Internet Crimes against Children Task Force Program (ICAC)	16.800	UPD10023C	US DOJ OJJDP	07/01/14-06/30/15	1,393	11,486	20,000	9,907
Postconviction Testing of DNA Evidence to Exonerate the Innocent	16.820	2012-DN-BX-K029	2013 JAG	10/01/12-09/30/15	45,075	113,000	82,434	14,509
Equitable Sharing Program	16.922	UT0180000	Justice Forfeiture Funds	07/01/14-06/30/15	-	131,132	131,132	-
Equitable Sharing Program	16.922	UT0180000	Treasury Forfeiture Funds	07/01/14-06/30/15	-	34,384	34,384	-
Wasatch Range Hybrid Task Force	16.xxx	281C-SU-A5198258	FBI WRHTF	08/07/14-08/06/15	-	24,257	29,973	5,716
Organized Crime Drug Enforcement Task Force	16.xxx	WC UT 150	OCDETF	02/01/13-09/30/15	712	1,331	2,911	2,292
Passed through State of Utah Office of Crime Victim Reparations:								
Crime Victim Assistance	16.575	14-VOCA-69	UPD VOCA	07/01/14-06/30/15	207	76,427	131,674	55,454
Violence Against Women Formula Grants - Recovery Act	16.588	12-VAWA-34	UPD VAWA	01/01/14-12/31/14	5,523	16,886	11,363	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	OVW-2013-3397	GTEAP	10/25/13-06/30/14	745	6,461	5,716	-
Passed through State of Utah Department of Highway Safety:								
Enforcing Underage Drinking Laws Program	16.727	JJP2011J1113	Canyon Alcohol Enforcement	06/01/11-09/30/14	-	15,212	15,212	-
Passed through State of Utah Department of Public Safety:								
U.S. Marshals Service	16.xxx	EC-UT-110	Metro Narcotics Task Force	10/01/07-12/31/14	1,467	4,284	2,817	-
Passed through Salt Lake County:								
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2013-DJ-BX-0949	Equipment	10/01/13-09/30/17	-	7,215	7,215	-
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2013-DJ-BX-0661	Equipment	10/01/13-09/30/17	-	-	23,915	23,915
Passed through Taylorsville City:								
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2013-DJ-BX-0341	Taylorsville JAG	10/01/12-09/30/16	141	5,006	4,865	-
Total U.S. Department of Justice					60,276	461,125	512,642	111,793
U.S. DEPARTMENT OF TRANSPORTATION								
Passed through State of Utah Highway Safety Office:								
State and Community Highway Safety**	20.600	2HVE150401	Click it or Ticket	07/01/14-06/30/15	-	1,546	6,837	5,291
Alcohol Impaired Driving Countermeasures Incentive Grants I**	20.601	60T150301	DUI Blitz	07/01/14-06/30/15	4,129	12,688	19,309	10,750
Total U.S. Department of Transportation					4,129	14,234	26,146	16,041
U.S. DEPARTMENT OF HOMELAND SECURITY								
Direct Programs:								
Utah Financial Crimes Task Force-USSS	97.xxx	UPD13009C	ID Theft Task Force	06/14/13-06/30/15	346	3,783	3,934	497
State and Local Overtime Reimbursement Program - ICE	97.xxx	UPD12013C	SLOT/ICE	07/01/14-06/30/15	-	3,205	3,478	273
Passed through State of Utah Department of Emergency Management:								
Homeland Security Grant Program	97.067	DES-2012-SHSP	Case Cracker System Upgrade	10/01/12-03/31/14	21,090	21,090	-	-
Homeland Security Grant Program	97.067	DES-2013-SHSP	Monopad Display	09/01/13-06/30/15	-	12,949	12,949	-
Homeland Security Grant Program	97.067	DES-2013-SHSP	Laser Scanner / Equipment	09/01/14-08/31/16	-	22,655	22,655	-
Total U.S. Department of Homeland Security					21,436	63,682	43,016	770
Total federal awards					\$ 91,518	\$ 558,826	\$ 607,675	\$ 140,367

* JAG Program Cluster

** Highway Safety Cluster

Unified Police Department
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

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

Note C. Relationship to the District’s Financial Statements – The UPD received Joint Law Enforcement Operations (JLEO) grant monies through the U.S. Marshals Service. This federal grant is not classified as federal financial assistance. A reconciliation of federal revenue as reported on the UPD’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2015 is as follows:

General fund	\$ 616,416
Joint Law Enforcement Operations (JLEO) grant monies received through U.S. Marshals Service	<u>(8,741)</u>
Total federal revenue reported on the schedule of expenditures of federal awards	<u><u>\$ 607,675</u></u>



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

Board of Education
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, 2015 and the related notes to the financial statements, which collectively comprise the UPD's basic financial statements, and have issued our report thereon dated December 11, 2015.

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.



Orem, Utah
December 11, 2015



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

Board of Education
Unified Police Department

Report on Compliance for Each Major Federal Program

We have audited the compliance of Unified Police Department (the UPD) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the UPD's major federal programs for the year ended June 30, 2015. The UPD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the UPD's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 major federal program. However, our audit does not provide a legal determination of the UPD's compliance.

Opinion on Each Major Federal Program

In our opinion, the UPD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the UPD is responsible for establishing and maintaining effective internal control over

compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the UPD's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the UPD as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the UPD's basic financial statements. We have issued our report thereon dated December 11, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Orem, Utah
December 11, 2015

Unified Police Department
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

No findings were reported in the prior year.

Unified Police Department
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified? yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

-Material weaknesses identified? yes no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.922	Equitable Sharing Program

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

Auditee qualified as low-risk auditee? yes no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



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

Board of Education
Unified Police Department

**Report on Each General State Compliance Requirement Tested and on Compliance for Each
Major State Program**

We have audited the compliance of the Unified Police Department (the UPD) with the general state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on each of the UPD's general state compliance requirements tested for the year ended June 30, 2015.

General state compliance requirements tested are identified as follows:

- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Open and Public Meetings Act
- Conflicts of Interest
- Nepotism

The UPD has no major state programs.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a general state compliance requirement occurred. An audit includes examining, on a test basis, evidence about 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 general state compliance requirement tested. However, our audit does not provide a legal determination of the UPD's compliance.

Opinion on Each General State Compliance Requirement Tested

In our opinion, Unified Police Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each general compliance requirement tested for the year ended June 30, 2015.

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 requirements that could have a direct and material effect on each general state compliance requirement tested to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each general state compliance requirement tested and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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, P.C.

Orem, Utah
December 11, 2015