

**UNIFIED POLICE DEPARTMENT
OF GREATER SALT LAKE**

BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

HBME

CERTIFIED PUBLIC ACCOUNTANTS

**UNIFIED POLICE DEPARTMENT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Unified Police Department of Greater Salt Lake (UPD), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise UPD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We audited the financial statements of the Salt Lake Valley Law Enforcement Service Area (SLVLESA) discretely presented component unit, as of and for the year ended December 31, 2019, and our opinion, insofar as it relates to the amounts included for the SLVLESA discretely presented component unit, is based our report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, the discretely presented component unit, and the aggregate remaining fund information of the Unified Police Department, as of June 30, 2020, the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, OPEB obligation on page 46, and pension schedules, including the related notes to the required supplementary information, on pages 47-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, on our consideration of UPD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the UPD's internal control over financial reporting and compliance.

ABMC, LLC

December 16, 2020

Management's Discussion and Analysis

As management of the Unified Police Department (UPD), we offer readers of UPD's financial statements this narrative discussion, overview, and analysis of the financial activities of UPD for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes.

FINANCIAL HIGHLIGHTS

- UPD's net position is \$6.6 million at the close of the most recent fiscal year.
- During the year, expenses are \$900 thousand less than the \$69.2 million generated in member fees and other revenues for governmental activities. During the prior year, expenses were more than revenues by \$2.3 million.
- At the close of the most recent fiscal year, UPD's General Fund reports a fund balance of \$5.1 million compared to \$7.2 million at the end of the prior year.
- During fiscal year 2020, UPD created a Special Revenue Fund to account for transactions at the precinct level. At the close of the most recent fiscal year, UPD's Special Revenue Fund reports a fund balance of \$3.1 million. As the Special Revenue Fund was created during fiscal year 2020, it had no beginning fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net position* presents information on all the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of UPD, with the remainder being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of UPD is improving or deteriorating.

The *statement of activities* presents information showing how the net position of UPD changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as, unpaid employee benefit obligations).

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

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

Management's Discussion and Analysis

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of UPD's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

UPD maintains two governmental funds: The General Fund and a Special Revenue Fund. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund.

The special revenue fund reports six municipal precincts, countywide law enforcement services for Salt Lake County, five metro townships and unincorporated districts. This special revenue fund is a governmental fund that is used to account for the proceeds of specific revenue sources that are committed to expenditures for law enforcement in the individual precinct jurisdictions. UPD created the special revenue fund in fiscal year 2020, at the request of the governing board, to separate the accounting for precinct funding from the specialized shared law enforcement services that are accounted for in the General Fund. The Board also wanted a method to allow more transparent accounting at the precinct level. The special revenue fund began the fiscal year 2020 with a zero-dollar beginning fund balance; over time, residual amounts of revenues over expenditures will be recognized as committed fund balance. Individual precincts are considered departments within the special revenue fund.

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

The basic governmental funds financial statements can be found on pages 13 through 17 of this report.

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

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

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

Management's Discussion and Analysis

The statement of fiduciary assets and liabilities can be found on page 21 of this report.

Notes to the basic financial statements - The *notes* provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 through 37 of this report.

Additional Information - In addition to the basic financial statements and related notes, this report also presents required supplementary information concerning UPD's changes in its obligation to provide other postemployment benefits to its employees and UPD's proportionate share of the state's net pension liability. Required supplementary information can be found on pages 38 through 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of UPD, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$6.6 million at the close of the most recent fiscal year.

The largest portion of UPD's net position (\$8.1 million) reflects its investment in capital assets (e.g., equipment and vehicles, net of accumulated depreciation). UPD uses these capital assets to provide law enforcement services to the communities it serves; consequently, these assets are not available for future spending.

The remaining balance of net position is an unrestricted deficit of \$1.4 million at the end of the most recent fiscal year. This deficit is net of UPD's proportionate share of the state's unfunded obligation of the defined benefit pension plans administered by Utah Retirement Systems and UPD employee benefit obligations.

UPD's Net Position, as of June 30,

	Governmental Activities		
	2020	2019	Change
Current and other assets	\$ 14,370,695	\$ 11,962,833	\$ 2,407,862
Capital assets	8,063,315	8,688,216	(624,901)
Total assets	22,434,010	20,651,049	1,782,961
Deferred outflows of resources	17,691,247	26,152,739	(8,461,492)
Other liabilities	2,331,390	2,413,381	(81,991)
Long-term liabilities outstanding	23,251,769	38,912,491	(15,660,722)
Total liabilities	25,583,159	41,325,872	(15,742,713)
Deferred inflows of resources	7,904,501	893,409	7,011,092
Net position:			
Net Investment in capital assets	8,063,315	8,688,216	(624,901)
Unrestricted (deficit)	(1,425,718)	(4,103,709)	2,677,991
Total net position	\$ 6,637,597	\$ 4,584,507	\$ 2,053,090

Management's Discussion and Analysis

Governmental activities - The key elements of the \$728 thousand million increase of UPD's net position for the year ended June 30, 2020, are as follows:

- A. Revenues total \$69.6 million for the year ended June 30, 2020, which is a decrease of \$1.8 million compared to the prior year. The largest net dollar decrease in revenues is from member fees of \$2.5 million which represents a 3.5% decrease in fees for providing law enforcement services.
- B. Expenses total \$68.3 million during the most recent fiscal year, which is a decrease of \$4.9 million compared to the prior year. The decrease in both revenues and expenses are largely due to the withdrawal of Riverton and Herriman cities in fiscal year 2019.
- C. Member fees comprise 96.8% and 98.1% of UPD's revenue used to provide law enforcement services to its members for the years ended June 30, 2020 and 2019, respectively.

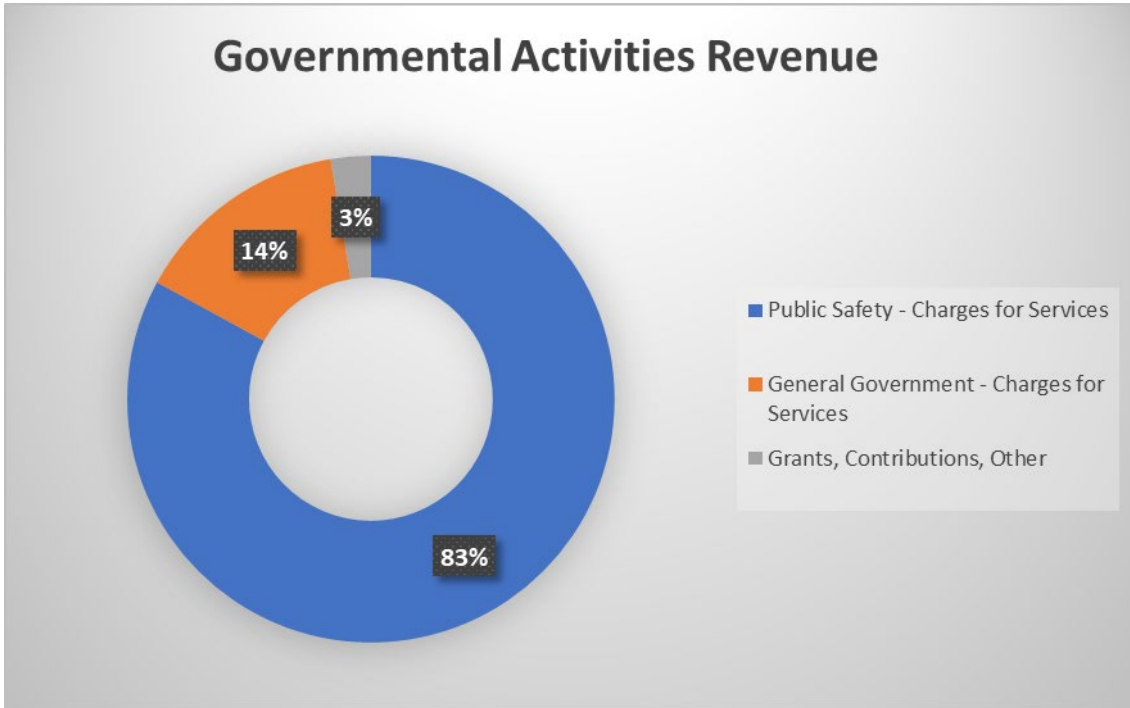
UPD's Changes in Net Position, for the fiscal years ended June 30,

	Governmental Activities		
	2020	2019	Change
<u>Revenues</u>			
Program revenues:			
Charges for services	\$ 67,346,975	\$ 69,802,568	\$ (2,455,593)
Operating grants and contributions	1,679,040	1,004,461	674,579
Capital grants and contributions	152,355	20,395	131,960
General revenues:			
Contributions	-	28,332	(28,332)
Investment earnings	174,599	191,048	(16,449)
Other revenue	231,202	371,333	(140,131)
 Total revenues	 <u>69,584,171</u>	 <u>71,418,137</u>	 <u>(1,833,966)</u>
<u>Expenses</u>			
General government	7,476,909	12,833,108	(5,356,199)
Public safety	60,813,001	60,343,600	469,401
 Total expenses	 <u>68,289,910</u>	 <u>73,176,708</u>	 <u>(4,886,798)</u>
 Increase (decrease) in net position before transfers	 1,294,261	 (1,758,571)	 3,052,832
Transfers, net	<u>(566,171)</u>	<u>(2,293,720)</u>	<u>1,727,549</u>
 Increase (decrease) in net position	 728,090	 (4,052,291)	 4,780,381
Net position, beginning of year	5,909,507	8,636,798	(2,727,291)
Prior period restatement	-	1,325,000	(1,325,000)
 Net position, end of year (as restated)	 <u>\$ 6,637,597</u>	 <u>\$ 5,909,507</u>	 <u>\$ 728,090</u>

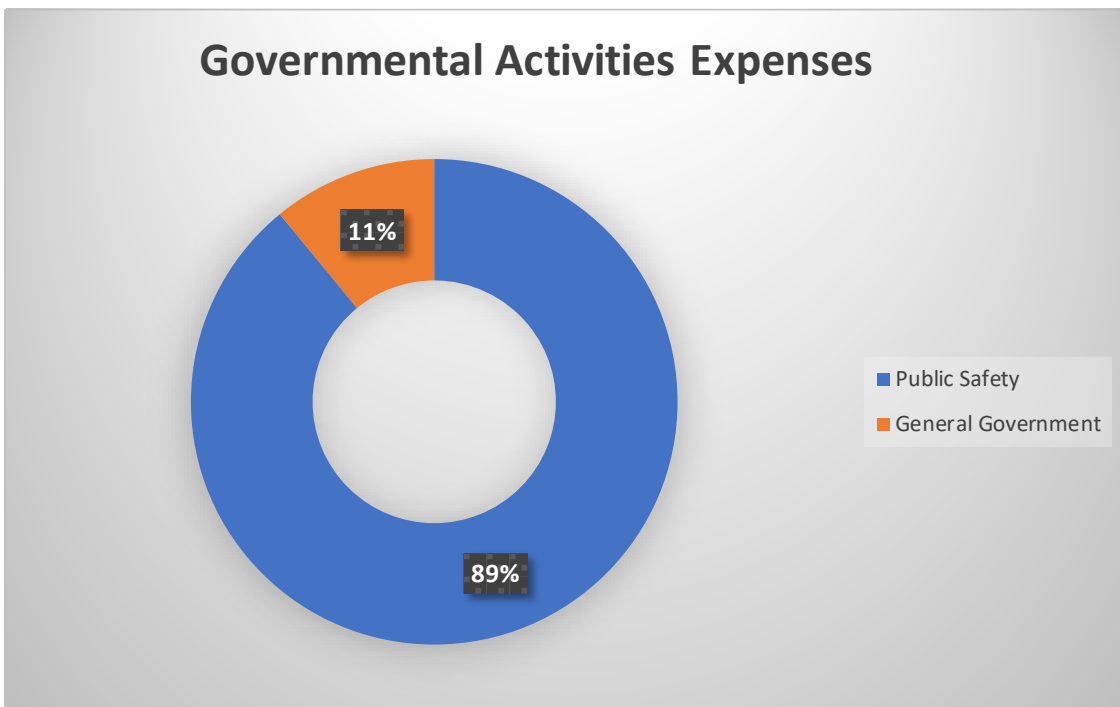
The prior period restatement is to correctly measure the estimates of the outstanding liability, workers' compensation, and auto claims as of June 30, 2019. The restatement of \$1.3 million is an increase that was a result of management's determination that claims handled by the contracted administrator were not accurate.

Management's Discussion and Analysis

- Charges for services – Public Safety represents UPD's largest source of revenue (83%).



- Public Safety represents the largest dollar portion of expenses (89%).



Management's Discussion and Analysis

FINANCIAL ANALYSIS OF UNIFIED POLICE DEPARTMENT'S FUNDS

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

Governmental funds - The focus of UPD's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing UPD's financing requirements. At June 30, 2020, UPD's governmental fund reports a fund balance of \$8.2 million. The following information on revenues and expenditures should be noted:

- Member fees for law enforcement services total \$66.2 million or 95.1% of revenues. This is a decrease of \$1.8 million compared to the prior year.
- Expenditures total \$68.0 million, which is a decrease of \$1.8 million compared to the prior year, reflecting the departure of Herriman City at the end of September 2018, and Riverton City at the end of June 2019.
- Public Safety expense of \$60.1 million equates to 88.4% of general government expense.

Financial Statements for governmental funds report up to five components of fund balance: *nonspendable*, *restricted*, *committed*, *assigned* and *unassigned*. Nonspendable fund balance includes resources that cannot be spent because of their form or that must be maintained intact. Restricted fund balance is used to describe resources that are subject to externally enforceable legal restrictions. Committed fund balance refers to resources whose use is constrained by limitations the Board has imposed upon itself either by resolution or ordinance; the underlying action that imposed the limitation would need to occur no later than the end of the reporting period and remains binding unless removed by the Board in the same manner. Assigned fund balance designates the portion of fund balance that reflects the Board's intended use of resources. Unassigned fund balance represents the residual net resources of the general fund. At June 30, 2020, UPD's governmental fund balance is \$8.2 million (\$632 thousand in nonspendable, \$1.6 million in restricted, \$4.0 million in committed, \$850 thousand in assigned, and \$1.1 million in unassigned fund balances).

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgets are only estimates of anticipated revenues and expenditures, UPD monitors and amends its budget throughout the year as needed. During fiscal year 2020, UPD amended its budget on a quarterly basis. Differences between the original budget and the final amended budget for the General Fund reflect the following changes:

- Very little overall changes were made to the General Fund during the most recent fiscal year. Changes to the revenues and expenditures were owing to the increases in grants and contributions received and the related expenditures accounts.

With these adjustments, actual expenditures are \$470 thousand less than final budgeted amounts in the General Fund. The Special Revenue Fund ended the year with actual expenditures \$2.8 million less than the final budgeted amounts. Of that amount, \$2.1 million reflects unfilled, but approved, law enforcement positions.

Management's Discussion and Analysis

CAPITAL ASSETS

At June 30, 2020, the majority of UPD's capital assets are fleet vehicles (\$7.0 million net of accumulated depreciation). UPD purchased \$1.3 million of vehicles during the year ended June 30, 2020, and disposed of \$1.0 million of fleet vehicles..

Capital assets are outlined below:

	Governmental Activities		
	2020	2019	Change
Equipment	\$ 1,068,779	\$ 713,057	\$ 355,722
Fleet vehicles	6,994,536	7,975,159	(980,623)
Total	<u>\$ 8,063,315</u>	<u>\$ 8,688,216</u>	<u>\$ (624,901)</u>

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

CONTACTING UNIFIED POLICE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the finances of the Unified Police Department and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Dudley, Chief Financial Officer, Unified Police Department, 3365 South 900 West, Room 121, Salt Lake City, Utah 84119.

Basic Financial Statements

UNIFIED POLICE DEPARTMENT
Statement of Net Position
June 30, 2020

	Primary Government	Component Unit
	Governmental Activities	SLVLESA
<u>Assets</u>		
Cash and investments	\$ 12,123,973	\$ 5,265,307
Receivables, net of allowance	1,404,790	18,000
Prepaid expenses	756,409	-
Deposits	75,000	-
Inventory	10,523	-
Capital assets, net		
Equipment	1,068,779	-
Fleet vehicles	6,994,536	-
Buildings	-	320,941
	22,434,010	5,604,248
<u>Deferred Outflows of Resources</u>		
Deferred outflows related to pensions	17,691,247	-
<u>Liabilities</u>		
Accounts payable	865,643	85,670
Accrued liabilities	1,465,747	-
Noncurrent liabilities:		
Due within one year	2,425,042	-
Due in more than one year	3,859,497	-
Net pension liability	16,967,230	-
Total liabilities	25,583,159	85,670
<u>Deferred Inflows of Resources</u>		
Deferred inflows related to pensions	7,904,501	-
<u>Net Position</u>		
Net investment in capital assets	8,063,315	320,941
Unrestricted	(1,425,718)	5,197,637
Total net position	\$ 6,637,597	\$ 5,518,578
Total liabilities and net position	\$ 40,125,257	\$ 5,604,248

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

UNIFIED POLICE DEPARTMENT
Statement of Activities
For the Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
Functions / Programs						
Primary Government:						
Governmental activities						
General government	\$ 7,476,909	\$ 9,955,403	\$ 225,549	\$ 18,700	\$ 2,722,743	
Public safety	60,813,001	57,391,572	1,453,491	133,655	(1,834,283)	
Total governmental activities	68,289,910	67,346,975	1,679,040	152,355	888,460	
Component Unit:						
SLVLESA	16,765,573	36,000	-	-		\$ (16,729,573)
Total component unit	\$ 16,765,573	\$ 36,000	\$ -	\$ -		(16,729,573)
General Revenues:						
Property taxes and fees lieu of taxes					-	17,692,383
Investment earnings					174,599	136,659
Miscellaneous					231,202	-
Transfers					(566,171)	-
				Total general revenues and transfers	(160,370)	17,829,042
				Change in net position	728,090	1,099,469
				Net position - beginning, as restated	5,909,507	4,419,109
				Net position - ending	\$ 6,637,597	\$ 5,518,578

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

UNIFIED POLICE DEPARTMENT
Balance Sheet – Governmental Fund
June 30, 2020

	General Fund	Special Revenue Fund Precincts	Governmental Funds
Assets			
Cash and cash equivalents	\$ 4,324,165	\$ 4,081,437	\$ 8,405,602
Receivables:			
Local	876,499	66,621	943,120
State	312,291	16,963	329,254
Federal	120,431	11,985	132,416
Prepaid expenses	398,659	222,405	621,064
Deposits	75,000	-	75,000
Supplies inventory	10,523	-	10,523
	<u>6,117,568</u>	<u>4,399,411</u>	<u>10,516,979</u>
Total assets	<u>\$ 6,117,568</u>	<u>\$ 4,399,411</u>	<u>\$ 10,516,979</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 582,494	\$ 263,438	\$ 845,932
Accrued liabilities	417,935	1,045,880	1,463,815
	<u>1,000,429</u>	<u>1,309,318</u>	<u>2,309,747</u>
Total liabilities	<u>1,000,429</u>	<u>1,309,318</u>	<u>2,309,747</u>
Fund Balances:			
Nonspendable:			
Prepaid items and supplies inventory	409,182	222,405	631,587
Restricted for:			
Public Safety	-	959,936	959,936
Evidence	294,585	-	294,585
Forfeitures	353,235	-	353,235
Committed to:			
Public safety	-	1,907,752	1,907,752
Compensated absences obligation	2,131,493	-	2,131,493
Assigned to:			
Self-insurance	850,000	-	850,000
Unassigned	1,078,644	-	1,078,644
	<u>5,117,139</u>	<u>3,090,093</u>	<u>8,207,232</u>
Total fund balances	<u>5,117,139</u>	<u>3,090,093</u>	<u>8,207,232</u>
Total liabilities and fund balances	<u>\$ 6,117,568</u>	<u>\$ 4,399,411</u>	<u>\$ 10,516,979</u>

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

UNIFIED POLICE DEPARTMENT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2020

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

Total fund balances - total governmental funds (page 13) \$ 8,207,232

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

Equipment	6,137,431	
Accumulated depreciation	<u>(5,068,652)</u>	1,068,779

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

Net pension liability	\$ (16,847,649)	
Deferred outflows and inflows related to pensions	<u>9,717,772</u>	(7,129,877)

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

Cash and investments		\$ 3,718,371
Prepaid expenses		135,345
Fleet vehicles	15,066,512	
Accumulated depreciation	<u>(8,071,976)</u>	6,994,536
Accounts payable		(19,711)
Accrued expenses		(1,932)
Compensated absences		(23,392)
Net pension liability		(119,581)
Deferred outflows and inflows related to pensions		68,974

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

Compensated absences	(4,720,290)	
Claims payable	(1,155,723)	
OPEB obligation	(385,134)	<u>(6,261,147)</u>

Net position - governmental activities (page 11) \$ 6,637,597

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Special Revenue Fund Precincts	Governmental Funds
Revenues			
Charges for services:			
Member fees for law enforcement	\$ 19,140,590	\$ 47,033,049	\$ 66,173,639
Other community services	175,730	997,606	1,173,336
Grants and awards:			
State and local	472,509	301,577	774,086
Federal	771,572	77,831	849,403
Licenses and fees	51,229	1,500	52,729
Forfeitures	2,822	-	2,822
Donor contributions	35,852	116,503	152,355
Interest income	174,599	-	174,599
Miscellaneous	213,256	17,946	231,202
	<u>21,038,159</u>	<u>48,546,012</u>	<u>69,584,171</u>
Expenditures			
Current:			
General government	7,216,767	-	7,216,767
Public safety	14,493,284	45,621,465	60,114,749
Capital outlay	584,642	99,758	684,400
	<u>22,294,693</u>	<u>45,721,223</u>	<u>68,015,916</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,256,534)</u>	<u>2,824,789</u>	<u>1,568,255</u>
Other Financing Sources (Uses)			
Transfers in	15,500	280,804	296,304
Transfers out	(846,975)	(15,500)	(862,475)
	<u>(831,475)</u>	<u>265,304</u>	<u>(566,171)</u>
Net change in fund balances	(2,088,009)	3,090,093	1,002,084
Fund balances, beginning of year	<u>7,205,148</u>	<u>-</u>	<u>7,205,148</u>
Fund balances, end of year	<u>\$ 5,117,139</u>	<u>\$ 3,090,093</u>	<u>\$ 8,207,232</u>

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

UNIFIED POLICE DEPARTMENT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds (page 14) \$ 1,002,084

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	684,400	
Gain on sale of capital assets	(1,224)	
Depreciation expense	<u>(327,454)</u>	355,722

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

Change in net position 496,118

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

Compensated absences expense	(156,801)	
Claims expense	223,918	
OPEB expense	83,363	
Net pension expense	<u>(1,276,314)</u>	<u>(1,125,834)</u>

Change in net position of governmental activities (page 12) \$ 728,090

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – Precincts Fund (Special Revenue Fund)
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues</u>				
Charges for services:				
Member fees for law enforcement	\$ 19,133,916	\$ 19,137,541	\$ 19,140,590	\$ 3,049
Other community services	595,000	505,000	175,730	(329,270)
Grants and awards:				-
State	266,000	115,270	472,509	357,239
Federal	540,500	624,045	771,572	147,527
Licenses and fees	68,000	68,000	51,229	(16,771)
Forfeitures	1,000	1,000	2,822	1,822
Donor contributions	17,500	42,935	35,852	(7,083)
Interest income	200,000	200,000	174,599	(25,401)
Miscellaneous	234,680	293,518	213,256	(80,262)
Total revenues	21,056,596	20,987,309	21,038,159	50,850
<u>Expenditures</u>				
Current:				
General government:				
Salaries and employee benefits	5,535,608	6,099,233	4,865,810	1,233,423
Administration	2,621,900	2,743,806	2,275,722	468,084
Contracted services:				
Other services	200	2,200	6,615	(4,415)
Supplies, uniforms, and materials	46,700	37,900	34,293	3,607
Operations and building maintenance	9,300	9,350	10,520	(1,170)
Vehicle fuel and cleaning	35,750	35,750	22,255	13,495
Education and training	2,700	1,250	836	414
Other expenses	2,000	2,000	716	1,284
Public safety:				
Salaries and employee benefits	8,093,950	7,948,550	7,671,753	276,797
Administration	813,700	887,900	2,253,267	(1,365,367)
Contracted services:				
Emergency dispatch	2,935,000	2,935,000	2,935,000	-
Other services	195,000	175,100	138,272	36,828
Supplies, uniforms, and materials	507,900	598,250	719,705	(121,455)
Operations and building maintenance	86,000	105,375	72,486	32,889
Vehicle fuel and cleaning	904,225	898,325	613,765	284,560
Education and training	146,350	113,000	82,749	30,251
Other expenses	14,300	12,075	6,287	5,788
Capital outlay:				
Law enforcement equipment	144,200	137,350	561,842	(424,492)
K-9 Service Animal	-	22,800	22,800	-
Total expenditures	22,094,783	22,765,214	22,294,693	470,521
Excess of revenues over expenditures	(1,038,187)	(1,777,905)	(1,256,534)	521,371
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	7,500	15,500	8,000
Transfers out	(275,044)	(280,804)	(846,975)	(566,171)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(275,044)	(273,304)	(831,475)	(558,171)
Net change in fund balance	\$ (1,313,231)	\$ (2,051,209)	(2,088,009)	\$ (36,800)
Fund balance, beginning of year			7,205,148	
Fund balance, end of year			\$ 5,117,139	

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget to Actual – Precincts Fund (Special Revenue Fund)
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
<u>Revenues</u>				
Charges for services:				
Member fees for law enforcement	\$ 46,915,393	\$ 47,073,073	\$ 47,033,049	\$ (40,024)
Other community services	390,000	891,000	997,606	106,606
Grants and awards:				-
State	194,750	284,750	301,577	16,827
Federal	-	38,112	77,831	39,719
Licenses and fees	-	128,250	1,500	(126,750)
Donor contributions	57,000	71,110	116,503	45,393
Miscellaneous	3,000	-	17,946	17,946
Total revenues	<u>47,560,143</u>	<u>48,486,295</u>	<u>48,546,012</u>	<u>59,717</u>
<u>Expenditures</u>				
Current:				
Public safety:				
Salaries and employee benefits	42,457,800	42,941,140	40,805,864	2,135,276
Administration	992,805	1,009,655	737,131	272,524
Contracted services:				
Other services	62,600	64,900	48,655	16,245
Supplies, uniforms, and materials	705,360	733,140	622,697	110,443
Operations and building maintenance	107,175	121,975	105,130	16,845
Vehicle fuel and cleaning	3,127,475	3,129,975	3,156,066	(26,091)
Education and training	256,025	245,325	88,448	156,877
Other expenses	110,950	107,650	57,474	50,176
Capital outlay:				
Precinct buildings and improvements	148,000	175,530	99,758	75,772
Total expenditures	<u>47,968,190</u>	<u>48,529,290</u>	<u>45,721,223</u>	<u>2,808,067</u>
Excess of revenues over expenditures	<u>(408,047)</u>	<u>(42,995)</u>	<u>2,824,789</u>	<u>2,867,784</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	275,047	280,807	280,804	(3)
Transfers out	(157,000)	(206,500)	(15,500)	191,000
Total other financing sources (uses)	<u>118,047</u>	<u>74,307</u>	<u>265,304</u>	<u>190,997</u>
Net change in fund balance	<u>\$ (290,000)</u>	<u>\$ 31,312</u>	<u>3,090,093</u>	<u>\$ 3,058,781</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ 3,090,093</u>	

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

UNIFIED POLICE DEPARTMENT
Statement of Net Position – Proprietary Fund
June 30, 2020

	Governmental Activities <hr style="border-top: 1px solid black;"/> Fleet Management <hr style="border-top: 1px solid black;"/>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 3,718,371
Prepaid expenses	135,345
Total current assets	<hr style="border-top: 1px solid black;"/> 3,853,716
Noncurrent assets:	
Capital assets:	
Vehicles (including police up-fitting)	15,066,512
Accumulated depreciation	<hr style="border-top: 1px solid black;"/> (8,071,976)
Net capital assets	<hr style="border-top: 1px solid black;"/> 6,994,536
Total noncurrent assets	<hr style="border-top: 1px solid black;"/> 6,994,536
Total assets	<hr style="border-top: 1px solid black;"/> 10,848,252
<u>Deferred Outflows of Resources</u>	
Related to state pensions	<hr style="border-top: 1px solid black;"/> 124,684
Total assets and deferred outflows of resources	<hr style="border-top: 1px solid black;"/> <hr style="border-top: 3px double black;"/> \$ 10,972,936
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	\$ 19,711
Accrued expenses	1,932
Compensated absences	<hr style="border-top: 1px solid black;"/> 10,348
Total current liabilities	<hr style="border-top: 1px solid black;"/> 31,991
Noncurrent liabilities:	
Compensated absences	13,044
Net pension liability	<hr style="border-top: 1px solid black;"/> 119,581
Total noncurrent liabilities	<hr style="border-top: 1px solid black;"/> 132,625
Total liabilities	<hr style="border-top: 1px solid black;"/> 164,616
<u>Deferred Inflows of Resources</u>	
Related to state pensions	<hr style="border-top: 1px solid black;"/> 55,710
<u>Net Position</u>	
Investment in capital assets	6,994,536
Unrestricted	<hr style="border-top: 1px solid black;"/> 3,758,074
Total net position	<hr style="border-top: 1px solid black;"/> 10,752,610
Total liabilities, deferred inflows of resources, and net position	<hr style="border-top: 1px solid black;"/> <hr style="border-top: 3px double black;"/> \$ 10,972,936

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
For the Year Ended June 30, 2020

	Governmental Activities
	Fleet Management
<u>Operating Revenues</u>	
Charges for services	\$ 2,897,326
Total operating revenues	2,897,326
<u>Operating Expenses</u>	
Administrative:	
Salaries and related	319,594
Other	12,358
Repairs, maintenance, and servicing	
Contracted services - Salt Lake County	661,502
Fleet vehicles	1,897
Buildings	27,491
Depreciation	2,001,843
Total operating expenses	3,024,685
Operating income (loss)	(127,359)
<u>Nonoperating Revenues Expenses</u>	
Gain on sale of capital assets	57,306
Income (loss) before transfers	(70,053)
Transfers in	566,171
Change in net position	496,118
Total net position, beginning (as restated)	10,256,492
Total net position, ending	\$ 10,752,610

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

UNIFIED POLICE DEPARTMENT
Statement of Cash Flows – Proprietary Fund
For the Year Ended June 30, 2020

	Governmental Activities
	Fleet Management
Cash flows from operating activities	
Receipts for interfund services provided	\$ 2,969,210
Payments to employees	(320,924)
Payments to suppliers	(701,654)
Net cash used by operating activities	1,946,632
Net cash provided by noncapital financing activities	566,171
Cash flows from capital and related financing activities	
Acquisition of fleet vehicles and up-fitting	(1,206,620)
Proceeds from sale of fleet vehicles	239,069
Net cash used by capital and related financing activities	(967,551)
Net increase in cash and cash equivalents	1,545,252
Cash and cash equivalents, beginning of year	2,302,895
Cash and cash equivalents, end of year	\$ 3,848,147
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (127,359)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,001,843
Changes in assets and liabilities:	
Accounts receivable	71,884
Inventory	1,026
Accounts payable	(11,790)
Accrued expenses	11,028
Net cash used by operating activities	\$ 1,946,632

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

UNIFIED POLICE DEPARTMENT
Statement of Fiduciary Assets and Liabilities
June 30, 2020

Assets

Cash and investments \$ 543,181

Total assets \$ 543,181

Liabilities

Deposits held for others:

Evidence \$ 406,607

Pending forfeitures 120,510

Civil service fees 16,064

Total liabilities \$ 543,181

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity - UPD was formed on September 3, 2009, and was established under an interlocal agreement to provide law enforcement services to its members' jurisdictions. Operations began January 1, 2010. The Board of Directors (the Board), comprised of a mayor or council member from each member city, town, and metro township, the Salt Lake County mayor or designee, and one member from the Salt Lake County council, is the primary governing authority for UPD. The Board establishes policies, approves the budget, and appoints officials with responsibilities for administering all law enforcement activities and fiscal matters of UPD. UPD serves the municipalities, metro townships, and communities of Copperton, Emigration Canyon, Holladay, Kearns, Magna, Midvale, Millcreek, Taylorsville, White City, Brighton Town, and the unincorporated areas of Salt Lake County and performs certain law enforcement functions for the whole of Salt Lake County. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable.

Government-wide Financial Statements - The *statement of net position* and the *statement of activities* report information on all nonfiduciary activities of the primary government and its discretely presented component unit. Fiduciary activities are reported only in the fund financial statements. As a general rule, the effect of interfund activity is eliminated from the government-wide financial statements (such as, internal service fund activity and indirect cost charges to cost centers). The *primary government* is reported separately from its legally separate *component unit* for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. Governmental activities incorporate data from the general fund, special revenue 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.

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

UPD reports the following major governmental fund:

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

Additionally, UPD reports the following fund types:

- **Special Revenue Fund.** The special revenue fund reports six municipal precincts and countywide law enforcement services for Salt Lake County, including five townships and unincorporated law enforcement districts. UPD established the special revenue fund in fiscal year 2020, at the request of the governing board, to separate the accounting for precinct funding from the specialized shared law enforcement services that are accounted for in the General Fund.
- **Internal Service Fund.** The Fleet Management Fund (a proprietary fund) is an internal service fund used by UPD to account for the activities associated with UPD's replacement and maintenance of fleet vehicles. Fees, which are set on a cost-reimbursement basis, are charged to UPD's General Fund and Special Revenue Fund to cover anticipated costs.
- **Agency Fund.** The Agency Fund (a fiduciary fund) is used to account for assets, such as evidence money, pending forfeitures, and civil service fees, held by UPD as a custodian for other governments, private organizations, or individuals.

Net Position/Fund Balance Classifications - The residual of all other elements presented in a statement of financial 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.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, UPD considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to *compensated absences*, *pension expense*, *other post-employment benefits (OPEB)*, and *claims* related to workers' compensation obligations are recorded only when payment is due. 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.

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

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

- For the fiscal year beginning July 1, the budget officer prepares and presents a tentative budget for all funds by the first regularly scheduled meeting in May. At the time, the Board tentatively adopts the tentative budget.
- The Board, by resolution and following a public hearing, 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 budget officer; however, increases in appropriations at the overall fund level require a public hearing prior to amending the budget. In accordance with Utah law and with Board policy, administration may make interim adjustments from one department to another within any given fund without seeking the immediate approval of the Board. The Board approves these changes later in the year.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The total budgeted expenditures of a given fund may not exceed the expected revenues for the fiscal year plus any budgetary use of fund balance. Control of the budget is exercised at the overall department level.
- Interim adjustments in estimated revenue and appropriations during the year ended June 30, 2020, are included in the final budget approved by the Board, as presented in the financial statements.
- UPD has two functions: general government and public safety.

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

Receivables - Receivables consists of amounts due to UPD from federal, state, and local sources. UPD considers all amounts due to be fully collectible and has not established an allowance for doubtful accounts at June 30, 2020.

Capital Assets - All purchased equipment or vehicles, with a useful life of greater than one year and an acquisition cost of more than \$5,000, are capitalized and reported at cost or estimated historical cost in the proprietary fund and government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized in the financial statements. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Capital assets allocated from member cities are recorded at book value net of accumulated depreciation which approximates acquisition value. UPD does not purchase nor construct infrastructure (public domain) assets. Governmental activity capital assets are recorded as expenditures in the governmental fund financial statements at the time of purchase or construction.

Depreciation is provided on capital assets using the straight-line method over their estimated useful lives as follows:

Equipment	3 to 10 years
Vehicles	5 to 10 years

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

Other Post-Employment Benefits (OPEB) - For purposes of measuring the total OPEB liability and OPEB expense, UPD recognizes benefit payments when due and payable in accordance with the benefit terms. The total OPEB liability is measured at the discounted present value of expected future benefits. The value of UPD's OPEB liability has been determined in house, without the use of an actuary. UPD based the liability amount on the assumption that all remaining OPEB recipients would remain in the program until they turn 65 years of age and would at that time no longer be eligible for OPEB.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2020, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 4,484,334
Carrying amount of petty cash at precincts	47,224
Carrying amount of investments (PTIF)	<u>8,135,596</u>
Total cash and investments	<u><u>\$ 12,667,154</u></u>
Governmental funds cash and investments	8,405,602
Proprietary fund cash and investments	<u>3,718,371</u>
Governmental activity cash and investments	12,123,973
Agency fund cash and investments	<u>543,181</u>
Total cash and investments	<u><u>\$ 12,667,154</u></u>

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

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits - At June 30, 2020, UPD had the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Total deposits	\$ 4,484,334	\$ 4,616,026	\$ 352,904

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. UPD does not have a formal deposit policy for custodial credit risk other than complying with the Act. At June 30, 2020, \$2,528,865 of UPD's bank deposits were uninsured and uncollateralized. No deposits are collateralized nor are they required to be by Utah State statute.

Investments - At June 30, 2020, UPD had \$8,135,596 invested with the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized to make investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains, and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities held by the Utah State Treasurer, including investment-grade corporate notes, top-tier commercial paper, money market mutual funds, repurchase agreements, and certificates of deposit. The portfolio has a weighted average maturity of 52 days. The PTIF is not rated; the reported value of the pool is the same as the fair value of the pool shares.

3. FAIR VALUE MEASUREMENTS

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

UPD has the following recurring fair value measurements as of June 30, 2020:

- Public Treasurers' Investment Fund position of \$8,135,596 is valued at UPD's position in the PTIF (Level 2 inputs).

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, is as follows:

	07/01/19	Increases	Decreases	06/30/20
<u>Governmental activities</u>				
Capital assets, being depreciated:				
Equipment	\$ 5,622,412	\$ 684,400	\$ (169,381)	\$ 6,137,431
Fleet vehicles	14,848,576	1,258,898	(1,040,962)	15,066,512
Total capital assets, being depreciated	20,470,988	1,943,298	(1,210,343)	21,203,943
Accumulated depreciation:				
Equipment	(4,909,355)	(327,454)	168,157	(5,068,652)
Fleet vehicles	(6,873,417)	(2,001,843)	803,284	(8,071,976)
Total accumulated depreciation	(11,782,772)	(2,329,297)	971,441	(13,140,628)
Governmental capital assets, net	\$ 8,688,216	\$ (385,999)	\$ (238,902)	\$ 8,063,315

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

Governmental activities:		
General government		\$ 148,775
Public Safety		2,180,522
		<u>2,329,297</u>
Total depreciation expense - governmental activities		<u>\$ 2,329,297</u>

5. LONG-TERM LIABILITIES

UPD Risk Management

Workers' Compensation, Auto Liability, And General Liability

UPD maintains insurance coverage for employment practices, general, automobile, and law enforcement, and public officials' errors and omissions liability. UPD is self-insured up to \$350,000 per occurrence and maintains an excess liability policy through the States Self-Insurers Risk Retention Group, Inc. (States) up to \$4,000,000 per occurrence and \$4,000,000 aggregate. States is a member-owned company, providing excess liability coverage for public entities around the country. States operates as a risk retention group under the Federal Risk Retention Act and is structured similarly to a well-established, highly regulated national pool. States is domiciled in Vermont and registered in 44 states, including Utah.

Dental Liability

UPD is self-insures its dental insurance and contracts with Educator's Mutual Insurance (EMI) to administer its dental plan. On a monthly basis, EMI invoices UPD for actual costs incurred.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

5. LONG-TERM LIABILITIES (CONTINUED)

UPD Risk Management (Continued)

UPD has established a \$750,000 and \$100,000 assignment of fund balance for either claims outstanding or for claims incurred but not reported (IBNR) for both its workers' compensation obligation and its dental benefits obligations, respectively. The unpaid claims are included as long-term liabilities in the government-wide financial statements. Liabilities are based on the estimated ultimate cost of settling claims using past experience adjusted for current trends. This liability is UPD's best estimate based on available information. These obligations will be paid by the General Fund.

Changes in the estimated claims payable liability carried in the liabilities of the governmental activities since July 1, 2010 shows in the table below, as of the year ended June 30, 2020:

	(As Restated) 07/01/19	Current Year Claims and Changes in Estimates	Claim Payments	06/30/20	Estimated Due Within One Year
Workers Compensation, Auto, and General Liability	\$ 1,329,976	\$ 264,879	\$ (503,295)	\$ 1,091,560	\$ 204,983
Dental Liability	49,665	398,718	(384,219)	64,164	64,164
	<u>\$ 1,379,641</u>	<u>\$ 663,597</u>	<u>\$ (887,514)</u>	<u>\$ 1,155,724</u>	<u>\$ 269,147</u>

The following is a breakdown of the table above, shown by the fiscal year in which the claim originated, as well as the activity and changes in estimates pertaining to those claims:

(This schedule represents a breakdown of the totals above)

	(As Restated) 07/01/19	Current Year Claims and Changes in Estimates	Claim Payments	06/30/20	Estimated Due Within One Year
2010 - 2015					
WC, Auto & Gen Liability	\$ 49,693	\$ 124	\$ (26,165)	\$ 23,652	\$ -
2015 - 2016					
WC, Auto & Gen Liability	842,735	-	(89,387)	753,348	-
2016 - 2017					
WC, Auto & Gen Liability	82,358	3,962	(86,320)	-	-
2017 - 2018					
WC, Auto & Gen Liability	103,227	11,481	(61,361)	53,347	-
2018 - 2019					
WC, Auto & Gen Liability	251,963	149,982	(225,697)	176,248	120,018
Dental	49,665	-	-	49,665	49,665
2019 - 2020					
WC, Auto & Gen Liability	-	99,330	(14,365)	84,965	84,965
Dental	-	398,718	(384,219)	14,499	14,499
	<u>\$ 1,379,641</u>	<u>\$ 663,597</u>	<u>\$ (887,514)</u>	<u>\$ 1,155,724</u>	<u>\$ 269,147</u>

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

5. LONG-TERM LIABILITIES (CONTINUED)

Compensated Absences

UPD accrues vacation for all full-time employees. Employees earn between 12 and 24 vacation days each year, depending upon length of service with UPD. UPD is liable to its employees for days earned but not taken. If an employee terminates, payment for accrued vacation is made; otherwise, scheduled vacation time off is allowed.

UPD offers sick leave, which is accrued for only those employees that qualify for state retirement and in accordance with UPD policy; only 25% of the value of the sick leave accumulation is accrued.

UPD estimates these vacation and sick accrual obligations at June 30, 2020, to be \$4,743,682. These obligations will be paid by the General, Precinct, and Fleet Management Funds.

Other Post-Employment Benefit (OPEB) Plan

Plan Description - UPD provides post-employment health care through a single-employer defined benefit plan and is only available to employees who retire from UPD and the Utah Retirement Systems prior to May 31, 2017. OPEB recipients many stay on the plan only until they age out at 65 years of age, wherein these retirees no longer participate, and for which UPD no longer records a liability. No assets are accumulated in a trust that meets the criteria of generally accepted accounting principles.

Because of the small number of plan members, UPD does not engage the services of an actuary. Rather, the long-term liability of the plan is determined in house using a 3% inflationary factor and the assumption that all current plan members will remain on the plan until they age out. This estimate may result in the actual liability being lower than actual. An adjustment to this estimated liability is made as necessary each year, as well as a final adjustment at the termination of the plan.

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

Employees Covered by Benefit Terms - At June 30, 2020, 16 retirees are receiving health benefits from the plan. During fiscal year 2020, three members turned 65 years old and aged out of the plan; one member was dropped for nonpayment.

The following is a summary of the changes in the OPEB liability as of and for the year ended June 30, 2020:

Total OPEB obligation:	
Changes in assumptions or other inputs	256,187
Benefit payments	(211,164)
Net changes	45,023
Total OPEB obligation, beginning	423,474
Total OPEB obligation, ending	\$ 468,497

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS

Employee Retirement Systems and Pension Plans

General Information about the Pension Plan

Plan Description

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

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

Summary of Benefits by System

Benefits Provided

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

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4% depending upon employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years	Up to 2.50%
Tier 2 Public Safety and Firefighters System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year all years 2.00% per year July 2020 to present	Up to 2.50%

*Actuarial reductions are applied.

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

Contribution Rate Summary

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

Contribution rates as of June 30, 2020 are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
111- Local Governmental Division Tier 2	N/A	15.66%	1.03%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	18.47%	N/A
Public Safety System			
<i>Contributory</i>			
122- Tier 2 DB Hybrid Public Safety	N/A	21.04%	0.70%
<i>Noncontributory</i>			
49- Other Div B with 2.5% COLA	N/A	32.28%	N/A
Tier 2 DC Only			
211- Local Government	N/A	6.69%	10.00%
222- Public Safety	N/A	9.74%	12.00%

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

For fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 647,673	N/A
Public Safety System	6,303,242	-
Tier 2 Public Employees System	217,215	-
Tier 2 Public Safety and Firefighter	813,424	-
Tier 2 DC Only System	22,993	N/A
Tier 2 DC Public Safety and Firefighter System	68,584	N/A
 Total Contributions	 <u>\$ 8,073,131</u>	 <u>\$ -</u>

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

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

At June 30, 2020, UPD reported a net pension asset of \$0 and a net pension liability of \$16,967,231.

	Measurement Date: December 31, 2018				
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2017</u>	<u>Change (Decrease)</u>
Noncontributory System	\$ -	\$ 1,633,264	0.4333565%	0.6032015%	-0.1698450%
Public Safety System	\$ -	\$ 15,107,887	30.4226552%	33.7381234%	-3.3154682%
Tier 2 Public Employees System	\$ -	\$ 21,183	0.0941832%	0.1709688%	-0.0767856%
Tier 2 Public Safety and Firefighter	\$ -	\$ 204,896	2.1782627%	2.1513669%	0.0268958%
 Total Net Pension Asset / Liability	 <u>\$ -</u>	 <u>\$ 16,967,230</u>			

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

The net pension asset and liability were measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2020, UPD recognized pension expense of \$9,355,961.

At June 30, 2020, UPD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,178,506	\$ 30,798
Changes in assumptions	3,289,115	71,206
Net difference between projected and actual earnings on pension plan investments	-	6,459,103
Changes in proportion and differences between contributions and proportionate share of contributions	202,163	1,343,394
Contributions subsequent to the measurement date	4,021,463	-
	<u>\$ 17,691,247</u>	<u>\$ 7,904,501</u>
Total		

\$4,021,463 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to the fiscal year ended June 30, 2020, but subsequent to the measurement date of December 31, 2019.

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ 4,148,840
2021	2,577,515
2022	1,405,411
2023	(2,464,812)
2024	9,545
Thereafter	88,604

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2020, UPD recognized pension expense of \$562,466.

At June 30, 2020, UPD reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 148,565	\$ 23,461
Changes in assumptions	172,982	-
Net difference between projected and actual earnings on pension plan investments	-	825,956
Changes in proportion and differences between contributions and proportionate share of contributions	19,260	632,269
Contributions subsequent to the measurement date	315,252	-
	<hr/>	<hr/>
Total	<u>\$ 656,059</u>	<u>\$ 1,481,686</u>

\$315,252 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to fiscal year end, but subsequent to the measurement date of December 31, 2019.

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ (312,110)
2021	(431,769)
2022	(82,986)
2023	(314,014)
2024	-
Thereafter	-

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2020, UPD recognized pension expense of \$8,071,548.

At June 30, 2020, UPD reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,962,757	\$ -
Changes in assumptions	3,058,423	48,748
Net difference between projected and actual earnings on pension plan investments	-	5,566,501
Changes in proportion and differences between contributions and proportionate share of contributions	143,910	693,542
Contributions subsequent to the measurement date	3,118,686	-
	<u>\$ 16,283,776</u>	<u>\$ 6,308,791</u>
Total		

\$3,118,686 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to fiscal year end, but subsequent to the measurement date of December 31, 2019.

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ 4,469,140
2021	3,016,289
2022	484,863
2023	(2,133,992)
2024	-
Thereafter	-

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2020, UPD recognized pension expense of \$118,354.

At June 30, 2020, UPD reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,926	\$ 7,270
Changes in assumptions	9,045	609
Net difference between projected and actual earnings on pension plan investments	-	16,283
Changes in proportion and differences between contributions and proportionate share of contributions	19,283	14,912
Contributions subsequent to the measurement date	122,624	-
	<hr/>	<hr/>
Total	<u>\$ 156,878</u>	<u>\$ 39,074</u>

\$122,624 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to fiscal year end, but subsequent to the measurement date of December 31, 2019.

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ (2,994)
2021	(2,677)
2022	105
2023	(5,113)
2024	1,401
Thereafter	4,459

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2020, UPD recognized pension expense of \$603,594.

At June 30, 2020, UPD reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,258	\$ 67
Changes in assumptions	48,665	1,849
Net difference between projected and actual earnings on pension plan investments	-	50,363
Changes in proportion and differences between contributions and proportionate share of contributions	19,710	2,851
Contributions subsequent to the measurement date	464,901	-
	<hr/>	<hr/>
Total	<u>\$ 594,534</u>	<u>\$ 55,130</u>

\$464,901 reported as deferred outflows of resources related to pensions results from contributions made by UPD prior to fiscal year end, but subsequent to the measurement date of December 31, 2019.

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

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2020	\$ (5,196)
2021	(4,327)
2022	3,430
2023	(11,692)
2024	8,145
Thereafter	84,145

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2019, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.90%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.76%
		Inflation	2.50%
		Expected arithmetic nominal return	7.25%

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

Discount Rate

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

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

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

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 5,101,252	\$ 1,633,264	\$ (1,259,002)
Public Safety System	41,719,399	15,107,887	(6,596,919)
Tier 2 Public Employees System	182,666	21,183	(103,615)
Tier 2 Public Safety and Firefighter	723,822	204,897	(180,320)
Total	<u>\$ 47,727,139</u>	<u>\$ 16,967,231</u>	<u>\$ (8,139,856)</u>

Defined Contribution Savings Plans

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

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

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

6. STATE RETIREMENT PLANS (CONTINUED)

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
401(k) Plan			
Employer Contributions	\$ 3,039,377	\$ 3,063,100	\$ 2,845,810
Employee Contributions	1,020,145	935,169	919,849
457 Plan			
Employer Contributions	-	-	-
Employee Contributions	480,229	425,381	544,399
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	146,157	135,348	105,458
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	10,941	8,561	5,166

7. COMMITMENTS

UPD is committed under operating leases for buildings:

- Annual rent is \$36,000 for the Magna building and the lease expires on December 31, 2020.
- Quarterly rent is \$68,533 for the sheriff's office and operations buildings and expires December 31, 2060
- Monthly rent is \$10,646 for the Kearns building and is a month-to-month lease.
- Monthly rent is \$10,524 for the Millcreek building and is a month-to-month lease.
- Annual rent is \$600 for the Copperton Substation building.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

8. DISCRETELY PRESENTED COMPONENT UNIT

Capital assets activity for SLVLESA for the year ended December 31, 2019, was as follows:

<u>Component Unit</u>	<u>01/01/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/19</u>
Capital assets, being depreciated:				
Buildings	\$ 302,312	\$ 27,933	\$ -	\$ 330,245
Accumulated depreciation:				
Buildings	-	(9,304)	-	(9,304)
Total component unit capital assets, net	<u>\$ 302,312</u>	<u>\$ 18,629</u>	<u>\$ -</u>	<u>\$ 320,941</u>

9. LITIGATION AND CONTINGENCIES

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

Unemployment compensation is handled on a cost-of-benefits reimbursement basis with the State of Utah. UPD is self-insured for workers' compensation, claims up to \$1,650,000 per claim. UPD is also self-insured for dental benefits. UPD maintains an excess workers compensation policy with New York Marine and General Insurance Company to the statutory maximums for workers' compensation and \$1,000,000 for employer's liability. Workers' compensation, auto liability, and general liability claims are processed by the Salt Lake County Risk Management Department, who also calculates claims incurred but not reported (IBNR) related to these claims.

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

Required Supplementary Information

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

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

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

	Noncontributory Retirement System	Public Safety System	Tier 2 Public Employees Retirement System	Tier 2 Public Safety and Firefighters Retirement
2020				
Proportion of the net pension liability (asset)	0.4333565%	30.4226552%	0.0941832%	2.1782627%
Proportionate share of the net pension liability (asset)	\$ 1,633,264	\$ 15,107,887	\$ 21,183	\$ 204,897
Covered payroll	\$ 3,683,873	\$ 21,461,587	\$ 1,309,094	\$ 3,590,546
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.34%	70.40%	1.62%	5.71%
Plan fiduciary net position as a percentage of its covered-employee payroll	93.70%	91.70%	96.50%	89.60%
2019				
Proportion of the net pension liability (asset)	0.6032015%	33.7381234%	0.1709688%	2.1513669%
Proportionate share of the net pension liability (asset)	\$ 4,441,809	\$ 26,585,504	\$ 73,222	\$ 53,904
Covered payroll	\$ 4,881,510	\$ 23,075,376	\$ 1,995,506	\$ 2,870,033
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	90.99%	115.21%	3.67%	1.88%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.00%	85.60%	90.80%	95.60%
2018				
Proportion of the net pension liability (asset)	0.6184180%	35.0867757%	0.1727768%	1.6373416%
Proportionate share of the net pension liability (asset)	\$ 2,709,475	\$ 16,954,051	\$ 15,233	\$ (18,945)
Covered payroll	\$ 5,006,389	\$ 24,153,906	\$ 1,691,323	\$ 1,728,151
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.12%	70.19%	0.90%	-1.10%
Plan fiduciary net position as a percentage of its covered-employee payroll	91.90%	90.50%	97.40%	103.00%
2017				
Proportion of the net pension liability (asset)	0.5983236%	34.0319334%	0.1908250%	1.5576614%
Proportionate share of the net pension liability (asset)	\$ 3,841,970	\$ 21,212,005	\$ 21,286	\$ (13,521)
Covered payroll	\$ 4,904,805	\$ 24,106,937	\$ 1,564,900	\$ 1,286,980
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	78.33%	87.99%	1.36%	-1.05%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.30%	86.10%	95.10%	103.60%
2016				
Proportion of the net pension liability (asset)	0.6110182%	33.4368840%	0.1842218%	1.6836008%
Proportionate share of the net pension liability (asset)	\$ 3,457,438	\$ 16,315,572	\$ (402)	\$ (24,598)
Covered payroll	\$ 4,961,018	\$ 23,221,391	\$ 1,190,292	\$ 1,001,980
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	69.69%	70.26%	-0.03%	-2.45%
Plan fiduciary net position as a percentage of its covered-employee payroll	87.80%	87.60%	100.20%	110.70%
2015				
Proportion of the net pension liability (asset)	0.6188018%	34.1590237%	0.1662502%	1.5274246%
Proportionate share of the net pension liability (asset)	\$ 2,686,983	\$ 13,507,595	\$ (5,038)	\$ (22,596)
Covered payroll	\$ 5,142,720	\$ 23,256,807	\$ 815,533	\$ 632,787
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	52.25%	58.08%	-0.62%	-3.57%
Plan fiduciary net position as a percentage of its covered-employee payroll	90.20%	89.00%	103.50%	120.50%

Note:

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

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

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions In relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2015	\$ 918,960	\$ 918,960	\$ -	\$ 5,099,127	18.02%
	2016	907,006	907,006	-	4,935,519	18.38%
	2017	926,750	926,750	-	5,033,608	18.41%
	2018	903,638	903,638	-	4,892,466	18.47%
	2019	785,420	785,420	-	4,299,058	18.27%
	2020	647,673	647,673	-	3,559,520	18.20%
Public Safety System	2015	\$ 6,867,562	\$ 6,867,562	\$ -	\$ 23,335,441	29.43%
	2016	6,902,711	6,902,711	-	23,408,249	29.49%
	2017	7,245,747	7,245,747	-	24,347,176	29.76%
	2018	7,103,256	7,103,256	-	23,816,433	29.83%
	2019	6,574,889	6,574,889	-	22,063,982	29.80%
	2020	6,303,242	6,303,242	-	21,262,805	29.64%
Tier 2 Public Employees System*	2015	\$ 144,457	\$ 144,457	\$ -	\$ 967,446	14.93%
	2016	209,489	209,489	-	1,405,018	14.91%
	2017	245,549	245,549	-	1,647,373	14.91%
	2018	275,214	275,214	-	1,821,471	15.11%
	2019	265,303	265,303	-	1,707,849	15.53%
	2020	217,215	217,215	-	1,387,079	15.66%
Tier 2 Public Safety and Firefighter System*	2015	\$ 181,560	\$ 181,560	\$ -	\$ 888,259	20.44%
	2016	239,486	239,486	-	1,174,526	20.39%
	2017	303,607	303,607	-	1,488,858	20.39%
	2018	434,377	434,377	-	2,123,050	20.46%
	2019	727,920	727,920	-	3,467,621	20.99%
	2020	813,424	813,424	-	3,867,381	21.03%
Tier 2 Public Employees DC Only System*	2015	\$ 14,728	\$ 14,728	\$ -	\$ 222,178	6.63%
	2016	12,739	12,739	-	193,674	6.58%
	2017	21,385	21,385	-	319,662	6.69%
	2018	25,492	25,492	-	381,041	6.69%
	2019	26,187	26,187	-	387,924	6.75%
	2020	22,993	22,993	-	343,694	6.69%
Tier 2 Public Safety and Firefighter DC Only System*	2015	\$ 8,887	\$ 8,887	\$ -	\$ 91,428	9.72%
	2016	26,406	\$ 26,406	-	271,663	9.72%
	2017	38,257	38,257	-	393,595	9.72%
	2018	44,325	44,325	-	456,018	9.72%
	2019	49,671	49,671	-	509,974	9.74%
	2020	68,584	68,584	-	704,139	9.74%

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

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

UNIFIED POLICE DEPARTMENT
Notes to the Required Supplementary Information

Note A. Changes in Assumptions-Utah Retirement Systems

As a result of the passage of SB129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier I Public Safety and Firefighter Systems, except for a 10% load at first eligibility for unreduced retirement prior to age 65.

Supplementary Information

UNIFIED POLICE DEPARTMENT
Balance Sheet Information – Special Revenue Fund
June 30, 2020

	Millcreek Precinct	Holladay Precinct	Taylorville Precinct	Midvale Precinct	Kearns Precinct	Magna Precinct	Southeast Islands District	White City District	Copperton District	Emigration District	Southwest Islands District	Salt Lake County Precinct	Total
Assets													
Cash and cash equivalents	\$ 764,735	\$ 260,196	\$ 549,741	\$ 408,580	\$ 434,671	\$ 722,289	\$ 54,593	\$ 30,158	\$ 7,925	\$ (935)	\$ 62,334	\$ 787,150	\$ 4,081,437
Receivables:													
Local	-	-	5,514	-	-	-	-	-	-	-	-	61,107	66,621
State	-	-	-	-	-	-	-	-	-	-	-	16,963	16,963
Federal	-	-	-	-	-	-	-	-	-	-	-	11,985	11,985
Prepaid expenses	10,231	-	-	-	-	-	-	-	300	-	-	211,874	222,405
Total assets	\$ 774,966	\$ 260,196	\$ 555,255	\$ 408,580	\$ 434,671	\$ 722,289	\$ 54,593	\$ 30,158	\$ 8,225	\$ (935)	\$ 62,334	\$ 1,089,079	\$ 4,399,411
Liabilities and fund balances													
Liabilities:													
Accounts payable	\$ 28,702	\$ 14,493	\$ 34,952	\$ 35,292	\$ 30,817	\$ 48,006	\$ 2,815	\$ 1,700	\$ 754	\$ 342	\$ 1,866	\$ 63,699	\$ 263,438
Accrued liabilities	157,819	80,425	152,658	122,215	109,619	89,729	28,620	16,751	3,174	6,289	10,617	267,964	1,045,880
Total liabilities	186,521	94,918	187,610	157,507	140,436	137,735	31,435	18,451	3,928	6,631	12,483	331,663	1,309,318
Fund Balances:													
Nonspendable:													
Prepaid items and supplies inventory	10,231	-	-	-	-	-	-	-	300	-	-	211,874	222,405
Restricted for:													
Public Safety	-	-	-	-	294,235	584,554	23,158	11,707	3,997	(7,566)	49,851	-	959,936
Committed for:													
Public Safety	578,214	165,278	367,645	251,073	-	-	-	-	-	-	-	545,542	1,907,752
Total fund balances	588,445	165,278	367,645	251,073	294,235	584,554	23,158	11,707	4,297	(7,566)	49,851	757,416	3,090,093
Total liabilities and fund balances	\$ 774,966	\$ 260,196	\$ 555,255	\$ 408,580	\$ 434,671	\$ 722,289	\$ 54,593	\$ 30,158	\$ 8,225	\$ (935)	\$ 62,334	\$ 1,089,079	\$ 4,399,411

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balances Information –
Special Revenue Fund
For the Year Ended June 30, 2020

	Millcreek Precinct	Holladay Precinct	Taylorville Precinct	Midvale Precinct	Keams Precinct	Magna Precinct	Southeast Islands District	White City District	Copperton District	Emigration District	Southwest Islands District	Salt Lake County	Total
Revenues													
Charges for services:													
Member fees for law enforcement	\$ 7,282,530	\$ 3,649,346	\$ 6,899,020	\$ 5,895,148	\$ 4,943,115	\$ 4,842,563	\$ 723,825	\$ 808,975	\$ 129,765	\$ 181,600	\$ 586,605	\$ 11,090,557	\$ 47,033,049
Other community services	18,000	24,000	12,000	90,000	24,000	18,000	-	-	-	-	-	811,606	997,606
Grants and awards:													
State	1,663	-	-	-	-	-	-	-	-	-	-	299,914	301,577
Federal	-	-	25,292	21,029	-	-	-	-	-	-	-	31,510	77,831
Licenses and fees	-	-	-	-	-	-	-	-	-	-	-	1,500	1,500
Forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	-
Donor contributions	85,324	1,250	550	5,000	21,629	2,750	-	-	-	-	-	-	116,503
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	341	-	-	-	-	-	-	-	17,605	17,946
Total revenues	7,387,517	3,674,596	6,936,862	6,011,518	4,988,744	4,863,313	723,825	808,975	129,765	181,600	586,605	12,252,692	48,546,012
Expenditures													
Current:													
Public safety	6,893,452	3,486,378	6,591,497	5,778,769	4,758,979	4,284,561	700,667	797,268	125,468	174,734	536,754	11,492,938	45,621,465
Capital outlay	-	21,500	-	-	-	25,845	-	-	-	14,432	-	37,981	99,758
Total expenditures	6,893,452	3,507,878	6,591,497	5,778,769	4,758,979	4,310,406	700,667	797,268	125,468	189,166	536,754	11,530,919	45,721,223
Excess of revenues over expenditures	494,065	166,718	345,365	232,749	229,765	552,907	23,158	11,707	4,297	(7,566)	49,851	721,773	2,824,789
Other Financing Sources (Uses)													
Transfers in	94,380	6,060	22,280	18,324	68,470	35,647	-	-	-	-	-	35,643	280,804
Transfers out	-	(7,500)	-	-	(4,000)	(4,000)	-	-	-	-	-	-	(15,500)
Total other financing sources (uses)	94,380	(1,440)	22,280	18,324	64,470	31,647	-	-	-	-	-	35,643	265,304
Net change in fund balances	588,445	165,278	367,645	251,073	294,235	584,554	23,158	11,707	4,297	(7,566)	49,851	757,416	3,090,093
Fund balances, beginning of year	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balances, end of year	\$ 588,445	\$ 165,278	\$ 367,645	\$ 251,073	\$ 294,235	\$ 584,554	\$ 23,158	\$ 11,707	\$ 4,297	\$ (7,566)	\$ 49,851	\$ 757,416	\$ 3,090,093



COMMITTED. EXPERIENCED. TRUSTED

CERTIFIED PUBLIC ACCOUNTANTS

- E. LYNN HANSEN, CPA
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- JEFFREY B. MILES, CPA
- SHAWN F. MARTIN, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Unified Police Department (UPD) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise UPD's basic financial statements, and have issued our report thereon dated December 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered UPD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UPD's internal control. Accordingly, we do not express an opinion on the effectiveness of UPD's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UPD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UPD's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UPD's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABMC, LLC

December 16, 2020



COMMITTED. EXPERIENCED. TRUSTED

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

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

Report on Compliance with State Compliance Requirements

We have audited Unified Police Department’s (UPD) compliance with the applicable general state compliance requirements described in the Utah State Compliance Audit Guide, issued by the Office of the Utah State Auditor, that could have a direct and material effect on UPD for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

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

Management’s Responsibility

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

Auditors’ Responsibility

Our responsibility is to express an opinion on UPD’s compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Utah State Compliance Audit Guide. Those standards and the Utah State Compliance Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about UPD’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements

In our opinion, Unified Police Department complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

Purpose of This Report

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

HBME, LLC

December 16, 2020