

**UNIFIED POLICE DEPARTMENT**

**ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2012

## TABLE OF CONTENTS

	Page
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Fund	12
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	16
Statement of Fund Net Assets – Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund	18
Statement of Fund Cash Flows – Proprietary Fund	19
Statement of Fiduciary Assets and Liabilities – Agency Fund	20
Notes to Basic Financial Statements	21
<b>Required Supplementary Information:</b>	
Schedule of Funding Progress – Other Postemployment Benefit Plan	31



1329 South 800 East • Orem, Utah 84097-7700 • (801) 225-6900 • Fax (801) 226-7739 • www.squire.com

## Independent Auditor's Report

Board of Directors  
Unified Police Department

We have audited the accompanying financial statements of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of Unified Police Department (UPD) as of and for the year ended June 30, 2012, which collectively comprise UPD's basic financial statements as listed in the table of contents. These financial statements are the responsibility of UPD management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of Unified Police Department as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2012 on our consideration of UPD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedule of funding progress, as listed in the table of contents, 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.

*Aguirre & Company, P.C.*

December 5, 2012

## Management's Discussion and Analysis

As management of Unified Police Department (UPD), we offer readers of UPD's financial statements this narrative discussion, overview, and analysis of the financial activities of UPD for the year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements and notes.

### FINANCIAL HIGHLIGHTS

- UPD's assets exceeded liabilities by \$11.1 million at the close of the most recent fiscal year.
- During the year, expenses were \$0.4 million less than the \$52.8 million generated in membership fees and other revenues for governmental activities. Last year, expenses were more than revenues by \$0.4 million.
- As of the close of the current year, UPD's governmental fund (General Fund) reported a fund balance of \$7.8 million, an increase of \$0.8 million compared to the prior year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented

for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of UPD's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

UPD maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund.

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

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

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

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

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

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

**Notes to the basic financial statements** – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 30 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of UPD, assets exceeded liabilities by \$11.1 million at the close of the most recent fiscal year.

UPD's net assets are divided between invested in capital assets, restricted, and unrestricted. Invested in capital assets (\$6.6 million) reflects UPD's investment in capital assets (e.g., equipment and vehicles, net of accumulated depreciation). UPD uses these capital assets to provide law enforcement services to the communities it serves; consequently, these assets are *not* available for future spending. Restricted net assets (\$0.3 million) represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets (\$4.2 million) may be used to meet UPD's ongoing obligations to communities, employees, creditors, and to honor next year's budget.

At the end of the current year, UPD is able to report positive balances in all three categories of net assets.

**UNIFIED POLICE DEPARTMENT'S Net Assets**  
**June 30, 2012 and 2011**  
(in millions of dollars)

	Governmental Activities		
	2012	2011	Change 2012-2011
Current and other assets	\$ 14.2	\$ 13.2	\$ 1.0
Capital assets	6.6	5.6	1.0
Total assets	20.8	18.8	2.0
Other liabilities	2.4	2.5	(0.1)
Long-term liabilities outstanding	7.3	5.6	1.7
Total liabilities	9.7	8.1	1.6
Net assets:			
Invested in capital assets	6.6	5.6	1.0
Restricted	0.3	0.3	-
Unrestricted	4.2	4.8	(0.6)
Total net assets	<u>\$ 11.1</u>	<u>\$ 10.7</u>	<u>\$ 0.4</u>

**Governmental activities** – The key elements of the increase of UPD’s net assets for the year ended June 30, 2012 are as follows:

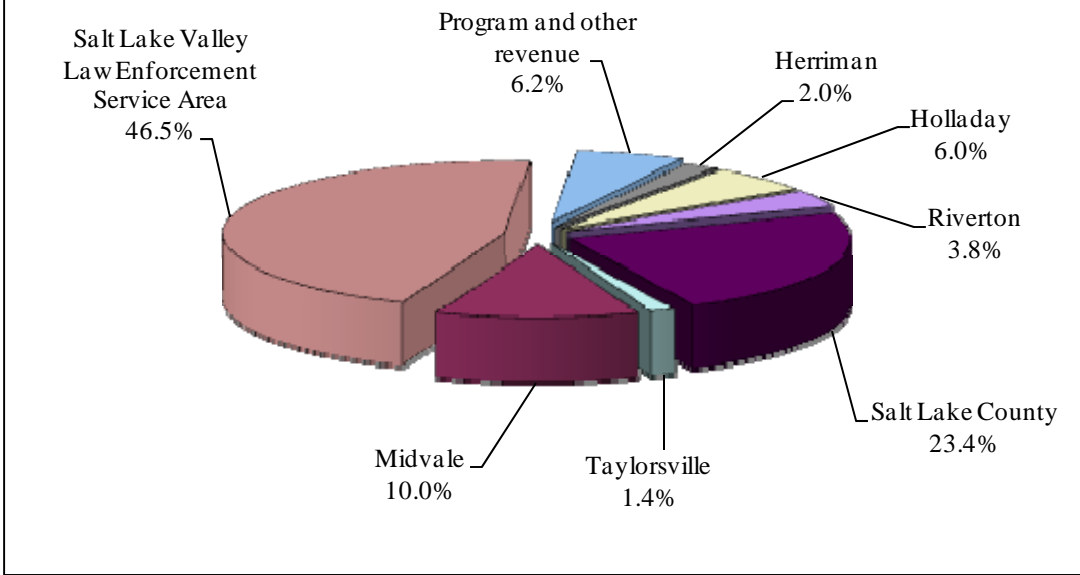
- Revenues totaled \$52.8 million for the year ended June 30, 2012, which is an increase of \$7.4 million over the prior year. The largest net dollar increase in revenues is from member fees. The \$6.7 million increase in member fees was primarily from Midvale City becoming a member of UPD as of July 1, 2011. The next largest net dollar increase in revenues is from operating grants and contributions of \$0.5 million. This increase is primarily due to additional funding from federal grants.
- Expenses totaled \$52.4 million during the current year, which is an increase of \$6.6 million over the prior year. This increase is largely from the addition of Midvale City. The increase in UPD’s net assets for the year ended June 30, 2012 was \$0.4 million.
- Member fees comprise 93.9 and 94.3 percent of UPD’s revenue used to provide law enforcement services to its members for the years ended June 30, 2012 and 2011, respectively.

**UNIFIED POLICE DEPARTMENT'S Changes in Net Assets**  
**Years Ended June 30, 2012 and 2011**  
(in millions of dollars)

	Governmental Activities		
	2012	2011	Change 2012-2011
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 2.0	\$ 1.9	\$ 0.1
Operating grants and contributions	1.0	0.5	0.5
General revenues:			
Member fees	49.5	42.8	6.7
Interest earned	0.1	0.1	-
Other revenue	0.2	0.1	0.1
Total revenues	52.8	45.4	7.4
<b>Expenses:</b>			
Law enforcement services	52.4	45.8	6.6
Changes in net assets	0.4	(0.4)	0.8
<b>Net assets - beginning</b>	10.7	11.1	(0.4)
<b>Net assets - ending</b>	\$ 11.1	\$ 10.7	\$ 0.4

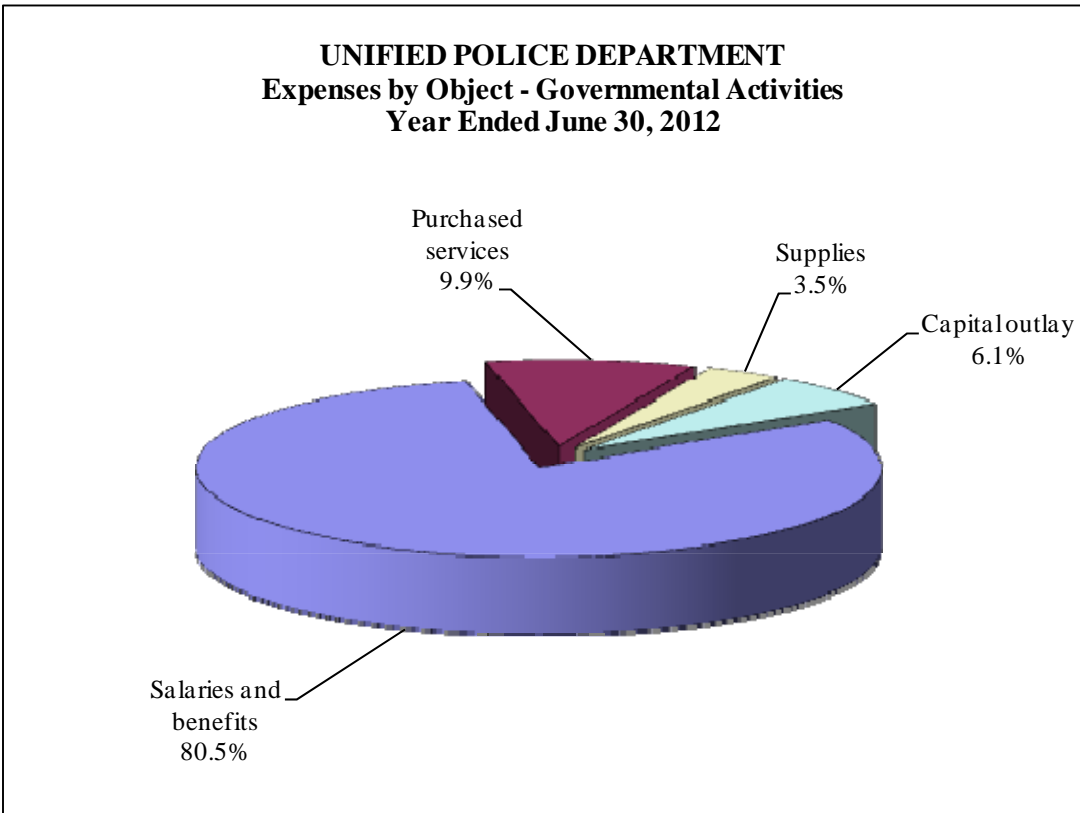


**UNIFIED POLICE DEPARTMENT  
Revenues by Source - Governmental Activities  
Year Ended June 30, 2012**



- Salaries and benefits represent the largest dollar portion of expense of \$42.2 million or 80.5 percent.

**UNIFIED POLICE DEPARTMENT  
Expenses by Object - Governmental Activities  
Year Ended June 30, 2012**



## FINANCIAL ANALYSIS OF UNIFIED POLICE DEPARTMENT'S FUNDS

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

**Governmental fund** – The focus of UPD's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing UPD's financing requirements. At June 30, 2012, UPD's governmental fund reported a fund balance of \$7.8 million, or \$0.8 million more than the previous year. The following information on revenues and expenditures should be noted:

- Member fee revenues totaled \$48.5 million or 93.8 percent of total revenues. This is an increase of \$5.7 million over the prior year.
- Expenditures totaled \$51.0, which is an increase of \$6.2 million over the prior year.
- Salaries totaled \$26.9 million while the associated fringe benefits of retirement, social security, unemployment, and health insurance added \$13.5 million to arrive at 79.3 percent of total expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes prepaid expenditures and deposits that are not expected to be converted to cash. *Restricted* includes net fund resources of UPD that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. The unrestricted fund balance is, in turn, subdivided between committed, assigned, and unassigned portions. *Committed* balances reflect UPD's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the General Fund are those that do not meet the requirements of committed but that are intended to be used for specific purposes. *Unassigned* balances in the General Fund are all other available net fund resources. At June 30, 2012, UPD's governmental fund balance is \$7.8 million (\$1.0 million in nonspendable, \$0.3 million in restricted, \$1.8 million in committed, \$0.4 million in assigned, and \$4.3 million in unassigned fund balances).

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the Board revised UPD's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$0.8 million in total General Fund budgeted revenues, mostly to account for anticipated increases in member fees and grants and contributions.

Final budgeted expenditures were more than original budgetary estimates by \$0.8 million, mostly to account for increases in capital outlay, salaries and benefits, and purchased services.

With these adjustments, actual expenditures were \$1.8 million less than final budgeted amounts. The most significant positive variances were \$1.0 million in purchased services and \$0.8 million in salaries and benefits. Actual revenues were \$0.3 million more than final budgeted amounts.

## CAPITAL ASSETS

At June 30, 2012, the majority of UPD's capital assets are fleet vehicles (\$5.8 million net of accumulated depreciation). UPD purchased \$2.4 million of vehicles and Midvale City contributed \$0.5 million, net of accumulated depreciation, in the year ended June 30, 2012.

Capital assets are outlined below:

**UNIFIED POLICE DEPARTMENT'S Capital Assets**  
**June 30, 2012 and 2011**  
(net of accumulated depreciation, in millions of dollars)

	<u>Governmental Activities</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u> <u>2012-2011</u>
Equipment	\$ 0.8	\$ 0.7	\$ 0.1
Fleet vehicles	5.8	4.9	0.9
Total	<u>\$ 6.6</u>	<u>\$ 5.6</u>	<u>\$ 1.0</u>

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

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the finances of the Unified Police Department for all those with an interest in UPD's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Unified Police Department, 3365 South 900 West, Room 121, Salt Lake City, Utah 84119.

## **Basic Financial Statements**

**UNIFIED POLICE DEPARTMENT**  
**Statement of Net Assets**  
June 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 11,376,745
Receivables	1,832,934
Prepaid expenses and deposits	1,002,290
Capital assets:	
Equipment, net of accumulated depreciation	873,080
Vehicles, net of accumulated depreciation	5,783,599
Total assets	20,868,648
<b>Liabilities:</b>	
Accounts payable	733,986
Accrued salaries and related benefits	1,665,867
Long-term liabilities:	
Portion due or payable within one year	1,001,499
Portion due or payable after one year	6,329,778
Total liabilities	9,731,130
<b>Net assets:</b>	
Invested in capital assets	6,656,679
Restricted	260,366
Unrestricted	4,220,473
Total net assets	\$ 11,137,518

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



**UNIFIED POLICE DEPARTMENT**  
**Balance Sheet**  
**Governmental Fund**  
June 30, 2012

	<b>General</b>
<b>Assets:</b>	
Cash and investments	\$ 7,353,274
Receivables	1,832,934
Prepaid expenditures and deposits	1,002,290
Total assets	\$ 10,188,498
 <b>Liabilities and fund balances:</b>	
Liabilities:	
Accounts payable	\$ 733,986
Accrued salaries and related benefits	1,665,867
Total liabilities	2,399,853
 Fund balances:	
Nonspendable:	
Prepaid expenditures and deposits	1,002,290
Restricted for:	
Forfeitures	214,789
Officer Friendly program	35,577
SWAT program	10,000
Committed to:	
Compensated absences obligation	1,001,499
Self-insurance	750,000
Assigned to:	
Evidence	308,990
Pager program	148,310
Unassigned	4,317,190
Total fund balances	7,788,645
Total liabilities and fund balances	\$ 10,188,498

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

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

June 30, 2012

---

<b>Total fund balances for governmental fund</b>	\$ 7,788,645
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in the governmental fund are not financial resources and therefore are not reported in the fund. Those assets consist of:	
Equipment, net of \$5,383,485 accumulated depreciation	873,080
An internal service fund is used by management to charge the costs of vehicle replacement to the General Fund. The assets and liabilities of the internal service fund are included with governmental activities.	9,807,070
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets.	
Compensated absences obligation	(3,498,166)
Net OPEB obligation	(3,833,111)
<b>Total net assets - governmental activities</b>	<u><u>\$ 11,137,518</u></u>

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



**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**  
Year Ended June 30, 2012

	<b>General</b>
<b>Revenues:</b>	
Member fees	\$ 48,535,445
Licenses	871,789
Intergovernmental	1,052,735
Grants and contributions	983,188
Forfeitures	53,004
Interest earnings	62,432
Other	176,130
Total revenues	51,734,723
<b>Expenditures:</b>	
Current:	
Law enforcement services:	
Salaries and benefits	40,411,980
Purchased services	5,175,240
Supplies	1,858,586
Other	129,711
Capital outlay	3,410,566
Total expenditures	50,986,083
Excess of revenues over expenditures / net change in fund balances	748,640
<b>Fund balances - beginning</b>	7,040,005
<b>Fund balances - ending</b>	\$ 7,788,645

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

**UNIFIED POLICE DEPARTMENT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Fund to the Statement of Activities**  
Year Ended June 30, 2012

---

**Net change in fund balances-total governmental fund** \$ 748,640

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, capital assets with an initial, individual cost of more than \$5,000 are capitalized and depreciated over their useful lives.

Capital outlays	\$ 489,090	
Depreciation expense	<u>(294,781)</u>	194,309

An internal service fund is used by management to charge the costs of vehicle replacement to the General Fund. The change of net assets of the internal service fund are included with governmental activities. 1,237,464

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

Compensated absences obligation	(281,581)	
Net OPEB obligation	<u>(1,465,895)</u>	<u>(1,747,476)</u>

**Change in net assets of governmental activities** \$ 432,937

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Member fees	\$ 48,292,302	\$ 48,537,136	\$ 48,535,445	\$ (1,691)
Licenses	776,518	776,518	871,789	95,271
Intergovernmental	780,300	946,300	1,052,735	106,435
Grants and contributions	786,910	1,072,040	983,188	(88,852)
Forfeitures	200	200	53,004	52,804
Interest earnings	30,000	30,000	62,432	32,432
Other	38,200	109,000	176,130	67,130
Total revenues	50,704,430	51,471,194	51,734,723	263,529
<b>Expenditures:</b>				
Current:				
Law enforcement services:				
Salaries and benefits	41,022,923	41,191,525	40,411,980	779,545
Purchased services	6,064,076	6,210,479	5,175,240	1,035,239
Supplies	1,634,021	1,690,571	1,858,586	(168,015)
Other	144,823	144,823	129,711	15,112
Capital outlay	3,147,990	3,527,926	3,410,566	117,360
Total expenditures	52,013,833	52,765,324	50,986,083	1,779,241
Excess (deficiency) of expenditures over (under) revenues	(1,309,403)	(1,294,130)	748,640	2,042,770
<b>Other financing sources:</b>				
Proceeds from sale of capital assets	200	200	-	(200)
Net change in fund balances	(1,309,203)	(1,293,930)	748,640	2,042,570
<b>Fund balances - beginning</b>	7,040,005	7,040,005	7,040,005	-
<b>Fund balances - ending</b>	<u>\$ 5,730,802</u>	<u>\$ 5,746,075</u>	<u>\$ 7,788,645</u>	<u>\$ 2,042,570</u>

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fund Net Assets**  
**Proprietary Fund**  
June 30, 2012

---

	<b>Governmental  Activities -  Internal Service  Fund</b> <hr/> <b>Vehicle  Replacement</b> <hr/>
<b>Assets:</b>	
Current assets:	
Cash and investments	\$ 4,023,471
Noncurrent assets:	
Capital assets:	
Fleet vehicles	11,071,576
Accumulated depreciation	(5,287,977)
Total noncurrent assets	5,783,599
Total assets	9,807,070
<b>Net assets:</b>	
Invested in capital assets	5,783,599
Unrestricted	4,023,471
Total net assets	\$ 9,807,070

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
Year Ended June 30, 2012

---

	<b>Governmental Activities - Internal Service Fund Vehicle Replacement</b>
<b>Operating revenues:</b>	
Charges for services - vehicle replacement fees	\$ 1,813,804
<b>Operating expenses:</b>	
Purchased property services	274,277
Depreciation	1,397,628
Total operating expenses	<u>1,671,905</u>
Operating income	141,899
<b>Nonoperating revenues:</b>	
Contributed capital from Midvale City	1,007,445
Gain on sale of capital assets	88,120
Total nonoperating revenues	<u>1,095,565</u>
Changes in net assets	1,237,464
<b>Net assets - beginning</b>	<u>8,569,606</u>
<b>Net assets - ending</b>	<u><u>\$ 9,807,070</u></u>

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fund Cash Flows**  
**Proprietary Fund**  
June 30, 2012 and 2011

	<b>Governmental Activities - Internal Service Fund Vehicle Replacement</b>
<b>Cash flows from operating activities:</b>	
Receipts for interfund services provided	\$ 1,822,828
Payments to vendors	(274,277)
Net cash provided by operating activities	1,548,551
<b>Cash flows from noncapital financing activities:</b>	
Contributions from Midvale City	533,674
<b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	(2,422,217)
Proceeds from sale of capital assets	708,243
Net cash used by capital and related financing activities	(1,713,974)
Net change in cash and cash equivalents	368,251
<b>Cash and cash equivalents - beginning</b>	3,655,220
<b>Cash and cash equivalents - ending</b> (displayed on the statement of fund net assets as <i>cash and investments</i> )	\$ 4,023,471
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 141,899
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,397,628
Decrease in accounts receivable	9,024
Total adjustments	1,406,652
Net cash provided by operating activities	\$ 1,548,551

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

**UNIFIED POLICE DEPARTMENT**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
June 30, 2012

---

**ASSETS:**

Cash and investments	\$ 585,523
----------------------	------------

**LIABILITIES:**

Deposits held for others:

Evidence	\$ 162,597
----------	------------

Pending forfeiture	405,419
--------------------	---------

Civil service fees	17,507
--------------------	--------

Total liabilities	<u>\$ 585,523</u>
-------------------	-------------------

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

# UNIFIED POLICE DEPARTMENT

## Notes to Basic Financial Statements

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The *statement of activities* presents the degree to which the direct expenses of a given 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. Revenues that are not classified as program revenues are presented as general revenues.

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

Proprietary fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses result from transactions directly associated with the fund's principal services. Nonoperating expenses result from nonexchange transactions or ancillary activities.

UPD reports the following major governmental fund:

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

Additionally, UPD reports the following fund types:

- **Internal Service Fund.** The Vehicle Replacement Fund (a proprietary fund) is the only internal service fund used by UPD and accounts for the activities associated with UPD's replacement of fleet vehicles. Fees are charged to the UPD's General Fund to cover anticipated costs.



## UNIFIED POLICE DEPARTMENT

### Notes to Basic Financial Statements

---

- **Agency Fund.** The Agency Fund (a fiduciary fund) is used to account for assets held by UPD as a custodian for other governments, private organizations, or individuals, such as, evidence money, pending forfeitures, and civil service fees.

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

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

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

**Measurement Focus and Basis of Accounting** – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which UPD receives value without directly giving equal value in exchange, include grants and contributions. Revenue from grants and contributions is recognized in the fiscal year in which all eligibility requirements are satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. UPD considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Member fees and interest are considered to be susceptible to accrual. Other receipts become measurable and available when cash is received by UPD and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures are incurred and all other grant requirements are met. Expenditures are recorded when the related fund

## UNIFIED POLICE DEPARTMENT

### Notes to Basic Financial Statements

---

liability is incurred, except for compensated absences, which is recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds.

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

**Budgets and Budgetary Accounting** – UPD operates within budget requirements as specified by Utah law. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America using the modified accrual basis of accounting for all governmental funds and on the accrual method for the Vehicle Replacement Fund (internal service fund). The budget for the Vehicle Replacement Fund is not legally required for budgetary control; this budget is for management purposes. All annual appropriations lapse at fiscal year-end. These financial reports reflect the following budgetary standards:

- For the fiscal year beginning July 1, the fiscal officer prepares a proposed budget for all funds which is presented to the Board of Directors on or before June 1.
- After a public hearing is held, the Board of Directors, by resolution, legally adopts the final budget no later than June 22.
- Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the fiscal officer; however, increases in appropriations at the overall fund level require a public hearing prior to amending the budget. In accordance with Utah State law and with Board policy, administration may make interim adjustments from one appropriation (at the program, function, or object level) to another within any given fund without seeking the immediate approval of the Board. The Board approves these changes later in the year.
- The total budgeted expenditures of a given fund may not exceed the expected revenues for the fiscal year plus the fund balance. Control of the budget is exercised at the overall fund level.
- Interim adjustments in estimated revenue and appropriations during the year ended June 30, 2012 are included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the departmental level; UPD has one department: law enforcement services.

**Receivables** – Receivables consists of amounts due to UPD for member and other fees. UPD considers all amounts due to be fully collectible and has not established an allowance for doubtful accounts at June 30, 2012.

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

---

**Capital Assets** – All purchased equipment or vehicles costing more than \$5,000 are capitalized and reported at cost or estimated historical cost in the proprietary fund and government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized in the financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets allocated from member cities are recorded at book value minus accumulated depreciation which approximates fair 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

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

**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.

**2. DEPOSITS AND INVESTMENTS**

A reconciliation of cash and investments at June 30, 2012, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 2,076,929
Carrying amount of investments	<u>9,885,339</u>
Total cash and investments	<u><u>\$ 11,962,268</u></u>
Governmental fund cash and investments	\$ 7,353,274
Proprietary fund cash and investments	<u>4,023,471</u>
Governmental activity cash and investments	11,376,745
Agency fund cash and investments	<u>585,523</u>
Total cash and investments	<u><u>\$ 11,962,268</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 (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the state of Utah.

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

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

---

**Deposits** – At June 30, 2012, UPD had the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Total deposits	\$ 2,076,929	\$ 2,998,010	\$ 2,998,010

- **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, 2012, all of UPD’s bank deposits were insured and uncollateralized. No deposits are collateralized nor are they required to be by state statute.

**Investments** – At June 30, 2012, UPD had \$9,885,339 invested with the PTIF. The PTIF is a voluntary external local government investment pool managed by the Utah State Treasurer and is unrated. UPD’s investment in the PTIF is reported at fair value, which is basically the same as the value of the pool shares. The PTIF makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio which primarily consists of investment-grade corporate notes, top tier commercial paper, money market mutual funds, and certificates of deposit held by the Utah State Treasurer; the portfolio has a weighted average life of 90 days or less. UPD has not adopted a formal investment policy.

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 is as follows:

	Balance at June 30, 2011	Contribution from Midvale City	Increases	Decreases	Balance at June 30, 2012
<b>Governmental activities</b>					
Capital assets being depreciated:					
Equipment	\$ 5,767,475	\$ -	\$ 489,090	\$ -	\$ 6,256,565
Fleet vehicles	9,896,845	1,072,502	2,422,217	(2,319,988)	11,071,576
Total capital assets being depreciated	15,664,320	1,072,502	2,911,307	(2,319,988)	17,328,141
Accumulated depreciation for:					
Equipment	(5,088,704)	-	(294,781)	-	(5,383,485)
Fleet vehicles	(4,991,483)	(598,731)	(1,397,628)	1,699,865	(5,287,977)
Total accumulated depreciation	(10,080,187)	(598,731)	(1,692,409)	1,699,865	(10,671,462)
Total capital assets being depreciated, net	\$ 5,584,133	\$ 473,771	\$ 1,218,898	\$ (620,123)	\$ 6,656,679

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

---

Depreciation expense for the year ended June 30, 2012 was charged to functions of UPD as follows:

<b>Governmental activities:</b>	
Law enforcement services	\$ 294,781
Depreciation on capital assets of the internal service fund charged to the various functions based on their usage of the assets	1,397,628
Total depreciation expense - governmental activities	\$ 1,692,409

**4. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2012, is as follows:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Portion Due Within One Year
<b>Governmental activities:</b>					
Compensated absences obligation	\$ 3,216,585	\$ 3,817,917	\$ (3,536,336)	\$ 3,498,166	\$ 1,001,499
Net OPEB obligation	2,367,216	1,518,942	(53,047)	3,833,111	-
Total governmental activity long-term liabilities	\$ 5,583,801	\$ 5,336,859	\$ (3,589,383)	\$ 7,331,277	\$ 1,001,499

**Compensated Absences** – UPD accrues vacation for all full-time employees. Employees accrue between 12 and 24 vacation days each year depending upon length of service with UPD, generally limited to a maximum number of days earned for one year. UPD is liable to the employee for days earned but not taken. If an employee terminates, then payment is made; otherwise, scheduled vacation time off is allowed. Sick leave is accrued for only those employees that qualify for state retirement and in accordance with UPD policy, only twenty-five percent of the value of the sick leave accumulation is accrued. UPD estimates these obligations at June 30, 2012 to be \$3,498,166. These obligations will be paid by the General Fund.

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

**5. STATE RETIREMENT PLANS**

**Defined Benefit Plans** – UPD contributes to the following cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems).

- Tier 1 Local Government Noncontributory System
- Tier 2 Local Government Contributory System (new in 2012)
- Tier 1 Other Division B Public Safety Noncontributory System
- Tier 2 Other Division A Public Safety Contributory System (new in 2012)

The Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

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

---

The Systems are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. 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 issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board. UPD's required contribution rates (actuarially determined) and required contributions to the Systems for the years ended June 30, 2012 and 2011, and the six months ended June 30, 2010 are as follows:

	Years Ended June 30,		Six Months
	2012	2011	Ended June 30, 2010
<u>Required contribution rates:</u>			
Tier 1 Local Government Noncontributory System	13.77%	13.37%	11.66%
Tier 2 Local Government Contributory System	10.33%	-	-
Tier 1 Other Division B Public Safety Noncontributory System	28.64%	26.13%	23.34%
Tier 2 Other Division A Public Safety Contributory System	17.72%	-	-
<u>UPD contributions:</u>			
Tier 1 Local Government Noncontributory System	\$ 769,172	\$ 681,144	\$ 272,734
Tier 2 Local Government Contributory System	12,901	-	-
Tier 1 Other Division B Public Safety Noncontributory System	5,159,039	4,095,439	1,742,093
Tier 2 Other Division A Public Safety Contributory System	284	-	-

The contributions were equal to the required contributions for the year and were paid during the year or shortly thereafter.

**Defined Contribution Plans** – UPD participates in a defined contribution plan - under Internal Revenue Code Section 401(k) - to supplement retirement benefits accrued by participants in the Systems. During the years ended June 30, 2012 and 2011 and six months ended June 30, 2010, employer contributions were \$1,929,313, \$2,119,358, and \$90,384, respectively. Employees who are participants of the Systems can make additional contributions. During the years ended June 30, 2012 and 2011 and six months ended June 30, 2010, employee contributions were \$666,710, \$607,091, and \$237,302, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by the Systems. Plan provisions and contribution requirements are established by state statute and may be amended by the State.

UPD also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$327,506, \$292,570, and \$101,995, respectively for the years ended June 30, 2012 and 2011, and for the six months ended June 30, 2010. The assets of the plan are administered and held by the Systems. Plan provisions and contribution requirements are established by state statute and may be amended by the State.

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

---

In addition to the defined contribution and deferred compensation plans, UPD offers its employees two tax-advantaged savings plan authorized by Internal Revenue Service Code Section 408 (IRAs). Employees are eligible to participate from the date of employment and are vested immediately upon participation. For the years ended June 30, 2012 and 2011 and six months ended June 30, 2010, employee contributions to the Roth IRA were \$29,783, \$9,294, and \$500, respectively and employee contributions to the Traditional IRA were \$270, \$50, and \$0, respectively. The assets of the plan are administered and held by the Systems and the Systems have the authority to amend the plan.

**6. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description** – In addition to the pension benefits described in Note 5, UPD provides postemployment health care and life insurance benefits, through a single-employer defined benefit plan, to all employees who retire from UPD and qualify to retire from the Systems. The benefits, benefit levels, employee contributions, and employer contributions are governed by UPD policy, and can be amended at any time. UPD participation is up to 80 percent of a single-employer premium and the premium is shared based on years of service of employees. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in UPD’s General Fund.

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

**Annual OPEB Cost and Net OPEB Obligation** – UPD’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the employer’s annual required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For the year ended June 30, 2012, UPD’s annual OPEB cost (expense) is \$1,518,942. The following table shows the components of UPD’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in UPD’s net OPEB obligation:

Required contribution (net OPEB cost)	\$ 1,503,657
Interest on net OPEB obligation	91,709
Adjustment to annual required contribution	(76,424)
	1,518,942
Annual OPEB cost (expense)	1,518,942
Contributions made	(53,047)
	1,465,895
Increase in net OPEB obligation	1,465,895
Net OPEB obligation - June 30, 2011	2,367,216
	2,367,216
Net OPEB obligation - June 30, 2012	\$ 3,833,111
	3,833,111

UPD’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2012 and 2011 are as follows:

Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,578,144	\$ -	0.0%	\$ 2,367,216
2012	1,518,942	-	0.0%	3,833,111

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

---

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2012 is as follows:

Actuarial accrued liability (AAL)	\$ 17,364,592
Actuarial value of plan assets	-
	-
Unfunded actuarial accrued liability (UAAL)	\$ 17,364,592
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 27,962,355
UAAL as a percentage of covered payroll	62.1%

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

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

In the June 30, 2012 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 3.8 percent after nine years. Covered payroll included a 4.0 percent inflation assumption. The actuarial value of assets was not determined as UPD has not advanced funded its obligation. The UAAL is being amortized as a level percentage of payroll over an open thirty-year period.

**7. COMMITMENTS**

UPD is committed under operating leases for buildings that were formerly assigned to Salt Lake County. Monthly rent is \$3,000 for the Magna building and the lease expires on July 31, 2013 with an option to renew for five additional years. Monthly rent is \$25,092 for the Sheriff’s building and expires by the earlier of December 31, 2060, Salt Lake County withdraws as a member of UPD, UPD builds its own building, or UPD enters into a new building lease due to growth. This lease and its provisions will be renewed every five years. Monthly rent is \$6,641 for the Kearns building and the lease expires April 30, 2013. Monthly rent is \$8,449 for the Holladay building and is a month-to-month lease. Monthly rent is \$2,992 for the Riverton building and is a month-to-month lease.

**8. RISK MANAGEMENT**

UPD maintains insurance coverage for general, automobile, employment practices, law enforcement and public officials’ errors and omissions liability. UPD is self-insured up to \$250,000 per occurrence and maintains an excess liability policy through the States Self-Insurers Risk Retention Group, Inc. up to



## **UNIFIED POLICE DEPARTMENT**

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

---

\$4,000,000 per occurrence and \$4,000,000 aggregate. States is a member-owned company providing excess liability coverage for public entities around the country. States operates as a risk retention group under the Federal Risk Retention Act - and is structured similarly to a well-established, highly regulated national pool. They are domiciled in Vermont and registered in 44 states, including Utah.

UPD maintains a treasurers bond in the amount of \$1,500,000.

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

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. UPD is self-insured for worker's compensation claims up to \$750,000 per incident. UPD maintains an excess workers compensation policy with Midwest employers Casualty Company to the statutory maximums for workers compensation and \$1,000,000 for employer's liability. Worker's compensation claims are processed by a third party administrator.

UPD has established a \$750,000 commitment of fund balance for either claims outstanding or for claims incurred but not reported (IBNR). During the year ended June 30, 2012, UPD paid liability claims in the amount of \$5,933, workers compensation claims in the amount of \$116,322 and auto liability claims in the amount of \$30,478. Insurance coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

#### **9. SUBSEQUENT EVENTS**

On July 1, 2012, Taylorsville City became a full member of UPD. In addition, Taylorsville City contributed all its fleet vehicles and associated assets to UPD.

**UNIFIED POLICE DEPARTMENT**  
**Schedule of Funding Progress**  
**Other Postemployment Benefit Plan**  
Year Ended June 30, 2012

---

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