

UNIFIED POLICE DEPARTMENT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2013

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	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 Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	16
Statement of Fund Net Position – Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Fund Net Position – 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
Required Supplementary Information:	
Schedule of Funding Progress – Other Postemployment Benefit Plan	32



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

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of Unified Police Department (UPD) as of and for the year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise UPD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of Unified Police Department as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, 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 UPD's internal control over financial reporting and compliance.



Orem, Utah
November 20, 2013

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, 2013. 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 \$10.8 million at the close of the most recent fiscal year.
- During the year, expenses were \$0.3 million more than the \$62.3 million generated in member fees and other revenues for governmental activities. Last year, expenses were less 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 \$7.0 million, a decrease of \$0.8 million compared to the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are 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 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 of the assets and liabilities of UPD, with the difference between the two 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 (e.g., uncollected member fees and unpaid compensated absences).

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

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

Fund financial statements – A *fund* is a group of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. 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 position may serve over time as a useful indicator of a government's financial position. In the case of UPD, assets exceeded liabilities by \$10.8 million at the close of the most recent fiscal year.

UPD's net position are divided between net investment in capital assets, restricted, and unrestricted. Net investment in capital assets (\$8.9 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 position (\$0.3 million) represents resources that are subject to external restrictions on how they may be used. Unrestricted net position (\$1.6 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 position.

UNIFIED POLICE DEPARTMENT'S Net Position
June 30, 2013 and 2012
(in millions of dollars)

	Governmental Activities		
	2013	2012	Change 2013-2012
Current and other assets	\$ 14.4	\$ 14.2	\$ 0.2
Capital assets	8.9	6.6	2.3
Total assets	23.3	20.8	2.5
Other liabilities	3.2	2.4	0.8
Long-term liabilities outstanding	9.3	7.3	2.0
Total liabilities	12.5	9.7	2.8
Net position:			
Invested in capital assets	8.9	6.6	2.3
Restricted	0.3	0.3	-
Unrestricted	1.6	4.2	(2.6)
Total net position	<u>\$ 10.8</u>	<u>\$ 11.1</u>	<u>\$ (0.3)</u>

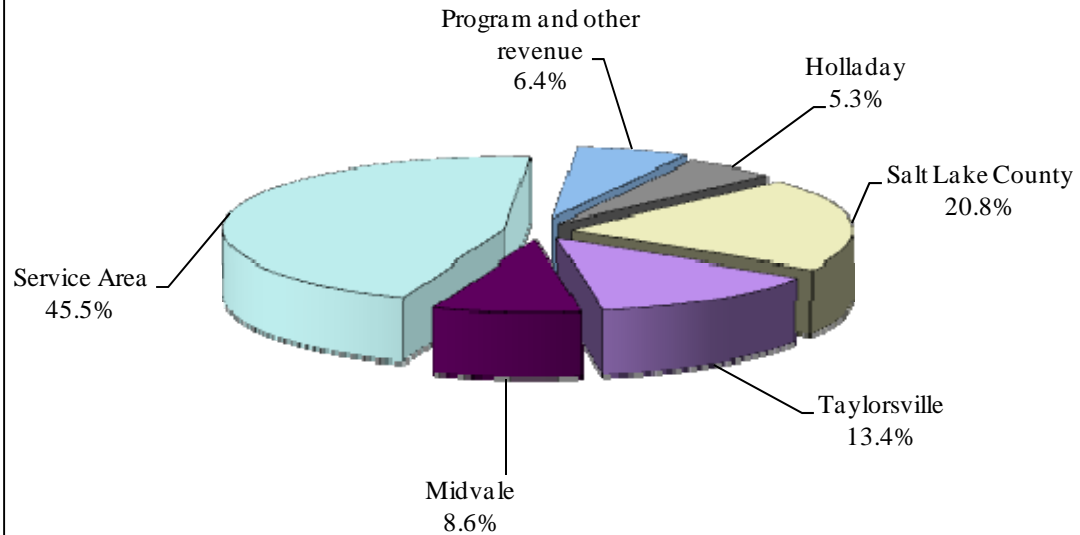
Governmental activities – The key elements of the decrease of UPD’s net position for the year ended June 30, 2013 are as follows:

- Revenues totaled \$62.3 million for the year ended June 30, 2013, which is an increase of \$9.5 million over the prior year. The largest net dollar increase in revenues is from member fees. The \$8.9 million increase in member fees was primarily from Taylorsville City becoming a full member of UPD as of July 1, 2012. The next largest net dollar increase in revenues is from charges for services of \$0.7 million. This increase is for additional 911 surcharge fees to upgrade equipment.
- Expenses totaled \$62.6 million during the current year, which is an increase of \$10.2 million over the prior year. This increase is largely from the addition of Taylorsville City. The decrease in UPD’s net position for the year ended June 30, 2013 was \$0.3 million.
- Member fees comprise 93.7 and 93.9 percent of UPD’s revenue used to provide law enforcement services to its members for the years ended June 30, 2013 and 2012, respectively.

UNIFIED POLICE DEPARTMENT'S Changes in Net Position
Years Ended June 30, 2013 and 2012
(in millions of dollars)

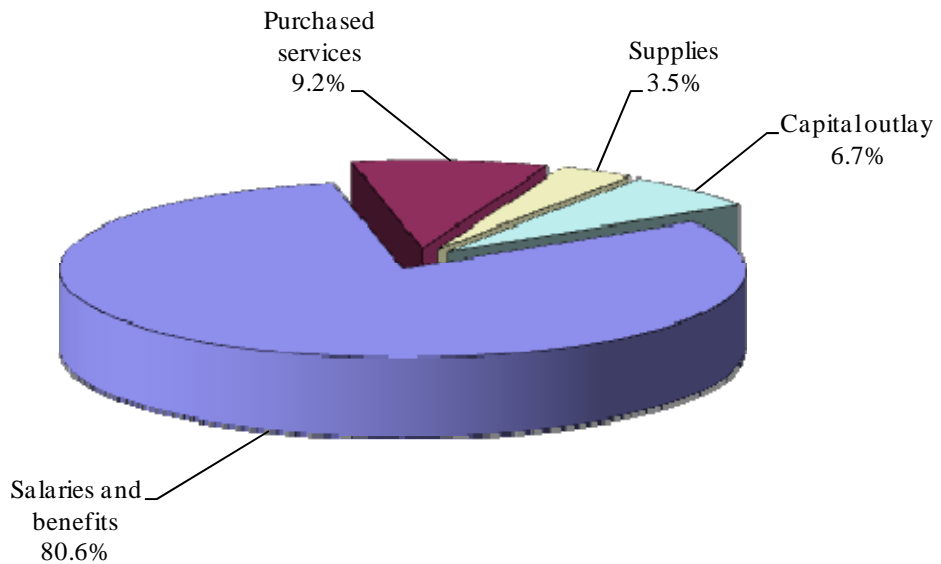
	Governmental Activities		
	2013	2012	Change 2013-2012
Revenues:			
Program revenues:			
Charges for services	\$ 2.7	\$ 2.0	\$ 0.7
Operating grants and contributions	1.0	1.0	-
General revenues:			
Member fees	58.4	49.5	8.9
Interest earned	0.1	0.1	-
Other revenue	0.1	0.2	(0.1)
Total revenues	62.3	52.8	9.5
Expenses:			
Law enforcement services	62.6	52.4	10.2
Changes in net position	(0.3)	0.4	(0.7)
Net position - beginning	11.1	10.7	0.4
Net position - ending	\$ 10.8	\$ 11.1	\$ (0.3)

**UNIFIED POLICE DEPARTMENT
Revenues by Source - Governmental Activities
Year Ended June 30, 2013**



- Salaries and benefits represent the largest dollar portion of expense of \$50.1 million or 80.5 percent of law enforcement services.

**UNIFIED POLICE DEPARTMENT
Expenses by Object - Governmental Activities
Year Ended June 30, 2013**



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, 2013, UPD's governmental fund reported a fund balance of \$7.0 million, or \$0.8 million less than the previous year. The following information on revenues and expenditures should be noted:

- Revenues for police and emergency protection services for members totaled \$57.5 million or 93.7 percent of total revenues. This is an increase of \$9.0 million over the prior year.
- Expenditures totaled \$62.1, which is an increase of \$11.1 million over the prior year.
- Salaries totaled \$31.6 million while the associated fringe benefits of retirement, social security, unemployment, and health insurance added \$16.9 million to arrive at 78.1 percent of total expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes prepaid items and deposits that are not expected to be converted to cash. *Restricted* includes net fund resources of 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, 2013, UPD's governmental fund balance is \$7.0 million (\$1.1 million in nonspendable, \$0.3 million in restricted, \$1.8 million in committed, \$0.5 million in assigned, and \$3.3 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 \$1.3 million in total General Fund budgeted revenues, mostly to account for anticipated increases in licenses and fees and federal funding.

Final budgeted expenditures were more than original budgetary estimates by \$1.7 million, mostly to account for increases in capital outlay and salaries and benefits.

With these adjustments, actual expenditures were \$1.9 million less than final budgeted amounts. The most significant positive variances were \$1.2 million in capital outlay and \$0.8 million in salaries and benefits.

CAPITAL ASSETS

At June 30, 2013, the majority of UPD's capital assets are fleet vehicles (\$7.1 million net of accumulated depreciation). UPD purchased \$3.0 million of vehicles and Taylorsville City and Salt Lake County contributed \$0.8 million, net of accumulated depreciation, in the year ended June 30, 2013.

Capital assets are outlined below:

UNIFIED POLICE DEPARTMENT'S Capital Assets
June 30, 2013 and 2012
(net of accumulated depreciation, in millions of dollars)

	<u>Governmental Activities</u>		
	<u>2013</u>	<u>2012</u>	<u>Change</u> <u>2013-2012</u>
Equipment	\$ 1.8	\$ 0.8	\$ 1.0
Fleet vehicles	7.1	5.8	1.3
Total	<u>\$ 8.9</u>	<u>\$ 6.6</u>	<u>\$ 2.3</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 Position
June 30, 2013

	Governmental Activities
Assets:	
Cash and investments	\$ 10,927,902
Receivables	2,390,023
Prepaid items and deposits	1,078,798
Capital assets:	
Equipment, net of accumulated depreciation	1,810,396
Vehicles, net of accumulated depreciation	7,056,894
Total assets	23,264,013
Liabilities:	
Accounts payable	1,490,079
Accrued salaries and related benefits	1,690,965
Long-term liabilities:	
Portion due or payable within one year	1,096,454
Portion due or payable after one year	8,233,381
Total liabilities	12,510,879
Net position:	
Net investment in capital assets	8,867,290
Restricted	270,446
Unrestricted	1,615,398
Total net position	\$ 10,753,134

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

UNIFIED POLICE DEPARTMENT
Statement of Activities
Year Ended June 30, 2013

<u>Activities / Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:				
Law enforcement services	\$ 62,622,773	\$ 2,674,991	\$ 985,341	\$ (58,962,441)
	General revenue:			
	Member fees			58,379,339
	Interest earnings			61,813
	Contributions			14,040
	Miscellaneous			122,865
	Total general revenue			<u>58,578,057</u>
	Change in net position			(384,384)
	Net position - beginning			<u>11,137,518</u>
	Net position - ending			<u>\$ 10,753,134</u>

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

UNIFIED POLICE DEPARTMENT
Balance Sheet
Governmental Fund
June 30, 2013

	General
Assets:	
Cash and investments	\$ 6,758,555
Receivables:	
Local	1,233,517
State	597,309
Federal	550,902
Prepaid items and deposits	1,078,798
Total assets	\$ 10,219,081
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 1,490,079
Accrued salaries and related benefits	1,690,965
Total liabilities	3,181,044
Fund balances:	
Nonspendable:	
Prepaid items and deposits	1,078,798
Restricted for:	
Forfeitures	234,869
Officer Friendly program	35,577
Committed to:	
Compensated absences obligation	1,096,454
Self-insurance	750,000
Assigned to:	
Evidence	331,366
Pager program	148,310
Unassigned	3,362,663
Total fund balances	7,038,037
Total liabilities and fund balances	\$ 10,219,081

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

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

June 30, 2013

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances for governmental fund \$ 7,038,037

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund. Those assets consist of:

Equipment	\$ 7,486,946	
Accumulated depreciation	<u>(5,676,550)</u>	1,810,396

An internal service fund is used by management to charge the costs of vehicle replacement to the General Fund. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position. 11,234,536

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund. All liabilities (both current and long-term) are reported in the statement of net position.

Compensated absences obligation	(3,815,863)	
Net OPEB obligation	<u>(5,513,972)</u>	<u>(9,329,835)</u>

Total net position of governmental activities \$ 10,753,134

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2013

	General
Revenues:	
Police and emergency protection services for members	\$ 57,464,043
Licenses and fees	1,430,091
Other services	1,071,299
State awards	212,920
Federal awards	772,421
Forfeitures	173,601
Interest earnings	61,813
Contributions	14,040
Other	110,683
Total revenues	61,310,911
Expenditures:	
Current:	
Law enforcement services:	
Salaries and benefits	48,467,180
Purchased services	5,787,282
Supplies	2,190,752
Other	166,570
Capital outlay	5,461,917
Total expenditures	62,073,701
Excess of expenditures over revenues	(762,790)
Other financing source - Proceeds from sale of capital assets	12,182
Net change in fund balance	(750,608)
Fund balance - beginning	7,788,645
Fund balance - ending	\$ 7,038,037

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

UNIFIED POLICE DEPARTMENT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Fund to the Statement of Activities
Year Ended June 30, 2013

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

Net change in fund balance-total governmental fund \$ (750,608)

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 increased net position in the current period.

Capital outlays	\$ 1,254,177	
Proceeds from sale of capital assets	(12,182)	
Gain on sale of capital assets	12,182	
Depreciation expense	(316,861)	937,316

An internal service fund is used by management to charge the costs of vehicle replacement to the General Fund. The change of net position of the internal service fund are included with governmental activities. 1,427,466

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

Compensated absences obligation	(317,697)	
Net OPEB obligation	(1,680,861)	(1,998,558)

Change in net position of governmental activities \$ (384,384)

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Police and emergency protection services for members	\$ 57,371,299	\$ 57,464,043	\$ 57,464,043	\$ -
Licenses and fees	776,518	1,335,423	1,430,091	94,668
Other services	793,100	807,100	1,071,299	264,199
State awards	175,000	175,000	212,920	37,920
Federal awards	852,910	1,261,231	772,421	(488,810)
Forfeitures	200	60,931	173,601	112,670
Interest earnings	30,000	30,000	61,813	31,813
Contributions	20,200	26,440	14,040	(12,400)
Other	18,000	157,500	110,683	(46,817)
Total revenues	<u>60,037,227</u>	<u>61,317,668</u>	<u>61,310,911</u>	<u>(6,757)</u>
Expenditures:				
Current:				
Law enforcement services:				
Salaries and benefits	48,932,778	49,266,739	48,467,180	799,559
Purchased services	5,694,034	5,690,984	5,787,282	(96,298)
Supplies	2,138,640	2,183,530	2,190,752	(7,222)
Other	169,852	174,352	166,570	7,782
Capital outlay	<u>5,381,785</u>	<u>6,667,085</u>	<u>5,461,917</u>	<u>1,205,168</u>
Total expenditures	<u>62,317,089</u>	<u>63,982,690</u>	<u>62,073,701</u>	<u>1,908,989</u>
Excess of expenditures over revenues	(2,279,862)	(2,665,022)	(762,790)	1,902,232
Other financing sources:				
Proceeds from sale of capital assets	<u>200</u>	<u>200</u>	<u>12,182</u>	<u>11,982</u>
Net change in fund balance	(2,279,662)	(2,664,822)	(750,608)	1,914,214
Fund balance - beginning	<u>7,788,645</u>	<u>7,788,645</u>	<u>7,788,645</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,508,983</u>	<u>\$ 5,123,823</u>	<u>\$ 7,038,037</u>	<u>\$ 1,914,214</u>

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

UNIFIED POLICE DEPARTMENT
Statement of Fund Net Position
Proprietary Fund
June 30, 2013

	Governmental Activities - Internal Service Fund
	Vehicle Replacement
Assets:	
Current assets:	
Cash and investments	\$ 4,169,347
Accounts receivable	8,295
Total current assets	4,177,642
Noncurrent assets:	
Capital assets:	
Fleet vehicles	12,928,249
Accumulated depreciation	(5,871,355)
Total noncurrent assets	7,056,894
Total assets	11,234,536
Net position:	
Net investment in capital assets	7,056,894
Unrestricted	4,177,642
Total net position	\$ 11,234,536

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2013

	<u>Governmental Activities - Internal Service Fund Vehicle Replacement</u>
Operating revenues:	
Charges for services - vehicle replacement fees	\$ 2,848,328
Operating expenses:	
Purchased property services	627,863
Depreciation	<u>1,708,295</u>
Total operating expenses	<u>2,336,158</u>
Operating income	512,170
Nonoperating revenues:	
Contributed capital from Taylorsville City	724,014
Contributed capital from Salt Lake County	28,068
Gain on sale of capital assets	<u>163,214</u>
Total nonoperating revenues	<u>915,296</u>
Changes in net position	1,427,466
Net position - beginning	<u>9,807,070</u>
Net position - ending	<u><u>\$ 11,234,536</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, 2013 and 2012

	Governmental Activities - Internal Service Fund Vehicle Replacement
Cash flows from operating activities:	
Receipts for interfund services provided	\$ 2,840,033
Payments to vendors	(627,863)
Net cash provided by operating activities	<u>2,212,170</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(2,953,951)
Proceeds from sale of capital assets	887,657
Net cash used by capital and related financing activities	<u>(2,066,294)</u>
Net change in cash and cash equivalents	145,876
Cash and cash equivalents - beginning	<u>4,023,471</u>
Cash and cash equivalents - ending (displayed on the statement of fund net position as <i>cash and investments</i>)	<u><u>\$ 4,169,347</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 512,170
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,708,295
Increase in accounts receivable	(8,295)
Total adjustments	<u>1,700,000</u>
Net cash provided by operating activities	<u><u>\$ 2,212,170</u></u>

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, 2013

ASSETS:

Cash and investments	\$ 388,653
----------------------	------------

LIABILITIES:

Deposits held for others:

Evidence	\$ 204,309
Pending forfeiture	172,999
Civil service fees	11,345
Total liabilities	<u>\$ 388,653</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, Midvale, Riverton, Taylorsville, and the unincorporated areas of Salt Lake County and performs county-wide functions for the whole Salt Lake County.

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

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

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

Fund Financial Statements – The fund financial statements provide information about 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 providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Vehicle Replacement Fund (internal service fund) are charges to the General Fund for vehicle use. Operating expenses for the internal service fund include vehicle modification and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

UNIFIED POLICE DEPARTMENT

Notes to Basic Financial Statements

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.
- **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.

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

Net position is divided into three components: net investment in capital assets (capital assets net of related debt), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

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

- **Nonspendable.** This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- **Restricted.** This category includes 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.

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

UNIFIED POLICE DEPARTMENT

Notes to Basic Financial Statements

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

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

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

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

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

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

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

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

UNIFIED POLICE DEPARTMENT

Notes to Basic Financial Statements

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, 2013 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.

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 for 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, 2013.

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 net of 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 position.

Change in Accounting Principle – During the year ended June 30, 2013, UPD implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. For UPD, implementation of the new statement only resulted in renaming the residual of all other elements presented in the statement of net position as net position.

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2013, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 3,379,269
Carrying amount of investments	7,937,286
Total cash and investments	\$ 11,316,555
Governmental fund cash and investments	\$ 6,758,555
Proprietary fund cash and investments	4,169,347
Governmental activity cash and investments	10,927,902
Agency fund cash and investments	388,653
Total cash and investments	\$ 11,316,555

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.

Deposits – At June 30, 2013, UPD had the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Total deposits	3,379,269	\$ 5,403,609	\$ 250,000

- **Custodial Credit Risk** – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. UPD does not have a formal deposit policy for custodial credit risk other than complying with the Act. At June 30, 2013, 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, 2013, UPD had \$7,937,286 invested with the PTIF. The PTIF is authorized and makes investments in accordance with the Utah State Money Management Act. Participant accounts with the PTIF are not insured or otherwise guaranteed by the state of Utah. Participants in the PTIF share proportionately 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 corporate notes, commercial paper, money market mutual funds, and

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

certificates of deposits. At June 30, 2013, the portfolio has a weighted average life of 74 days. The PTIF is not rated.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, is as follows:

	<u>Balance at June 30, 2012</u>	<u>Contributions</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
Governmental activities					
Capital assets being depreciated:					
Equipment	\$ 6,256,565	\$ -	\$ 1,254,177	\$ (23,796)	\$ 7,486,946
Fleet vehicles	11,071,576	1,697,150	2,953,951	(2,794,428)	12,928,249
Total capital assets being depreciated	17,328,141	1,697,150	4,208,128	(2,818,224)	20,415,195
Accumulated depreciation for:					
Equipment	(5,383,485)	-	(316,861)	23,796	(5,676,550)
Fleet vehicles	(5,287,977)	(945,068)	(1,708,295)	2,069,985	(5,871,355)
Total accumulated depreciation	(10,671,462)	(945,068)	(2,025,156)	2,093,781	(11,547,905)
Total capital assets being depreciated, net	<u>\$ 6,656,679</u>	<u>\$ 752,082</u>	<u>\$ 2,182,972</u>	<u>\$ (724,443)</u>	<u>\$ 8,867,290</u>

Taylorsville City contributed \$1,630,742 of vehicles, net of \$906,728 in accumulated depreciation, for a net contribution value of \$724,014. Salt Lake County contributed \$66,408 of vehicles, net of \$38,340 in accumulated depreciation, for a net contribution value of \$28,068.

Depreciation expense for the year ended June 30, 2013 was charged to functions of UPD as follows:

Governmental activities:	
Law enforcement services	\$ 316,861
Depreciation on capital assets of the internal service fund charged to the various functions based on their usage of the assets	<u>1,708,295</u>
Total depreciation expense - governmental activities	<u>\$ 2,025,156</u>

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013, is as follows:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Portion Due Within One Year
Governmental activities:					
Compensated absences obligation	\$ 3,498,166	\$ 4,410,428	\$ (4,092,731)	\$ 3,815,863	\$ 1,096,454
Net OPEB obligation	3,833,111	1,771,704	(90,843)	5,513,972	-
Total governmental activity long-term liabilities	<u>\$ 7,331,277</u>	<u>\$ 6,182,132</u>	<u>\$ (4,183,574)</u>	<u>\$ 9,329,835</u>	<u>\$ 1,096,454</u>

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, 2013 to be \$3,815,863. 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 Public Safety and Local Governmental Division cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS) and Plans (the System).

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

The System is established and governed by the respective sections of *Utah Code*, Title 49. The Utah State Retirement and Insurance Benefit Act in Title 49 provides for the administration of the System under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. 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 System are authorized by state statute and specified by the Utah State Retirement Board. UPD’s required contribution rates (actuarially determined) to the System for the year ended June 30, 2013 range from 12.74% to 32.20%.

For the years ended June 30, 2013, 2012, and 2011, UPD contributed \$7,398,504, \$5,941,396 and \$4,776,583, respectively, to the System. Contributions were paid during the year or shortly thereafter.

UNIFIED POLICE DEPARTMENT

Notes to Basic Financial Statements

Defined Contribution Plans – UPD participates in a deferred compensation plan - under Internal Revenue Code Section 401(k) - in lieu of Social Security contributions for full-time employees. During the year ended June 30, 2013, contributions for these employees were 6.2% of covered salaries.

Employees can make additional contributions up to specified limits. For the year ended June 30, 2013, UPD contributed \$2,312,215 and employee contributions totaled \$697,789. Employer and employee contributions were paid during the year or shortly thereafter. The 401(k) plan funds are fully vested to the participants at the time of deposit. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Plan assets are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

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 employees 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 \$386,527 for the year ended June 30, 2013. The assets of the plan are administered and held by URS and URS has the authority to establish or amend contribution requirements and other plan provisions.

IRA Plans – In addition to the defined contribution and deferred compensation plans, UPD offers its employees tax-advantaged savings plans authorized by Internal Revenue Service Code Section 408. Employees are eligible to participate from the date of employment and are vested immediately upon participation. For the year ended June 30, 2013, employee contributions to the Roth IRA Plan were \$48,258 and employee contributions to the Traditional IRA Plan were \$360. The assets of the plans are administered and held by URS and the URS has the authority to establish or amend contribution requirements and other plan provisions.

6. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – In addition to the pension benefits described in Note 5, UPD provides postemployment health care through a single-employer defined benefit plan, to all employees who retire from UPD and qualify to retire from the System. The benefits, benefit levels, employee contributions, and employer contributions are governed by UPD policy, and can be amended at any time. UPD participation is up to 80 percent of a single-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, 2013, UPD's annual OPEB cost (expense) is \$1,771,704.

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

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)	\$ 1,746,150
Interest on net OPEB obligation	153,324
Adjustment to annual required contribution	<u>(127,770)</u>
Annual OPEB cost (expense)	1,771,704
Contributions made	<u>(90,843)</u>
Increase in net OPEB obligation	1,680,861
Net OPEB obligation - June 30, 2012	<u>3,833,111</u>
Net OPEB obligation - June 30, 2013	<u><u>\$ 5,513,972</u></u>

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, 2013, 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	53,047	3.5%	3,833,111
2013	1,771,704	90,843	5.1%	5,513,972

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2012 (the date of the most recent actuarial valuation) is as follows:

Actuarial accrued liability (AAL)	\$ 17,364,592
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 17,364,592</u></u>
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

UNIFIED POLICE DEPARTMENT

Notes to Basic Financial Statements

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 3.8 percent inflation assumption. The actuarial value of assets was not determined as UPD has not advance funded its obligation. The UAAL is being amortized as a level percentage of payroll over an open thirty-year period.

7. COMMITMENTS

UPD is committed under operating leases for buildings that were formerly assigned to Salt Lake County. Monthly rent is \$2,542 for the Magna building and the lease expires on July 31, 2018. Monthly rent is \$25,092 for the Sheriff's building and expires by the earlier of December 31, 2060, Salt Lake County withdraws as a member of 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 is a month-to-month lease. 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. (States) up to \$4,000,000 per occurrence and \$4,000,000 aggregate. States is a member-owned company providing excess liability coverage for public entities around the country. States operates as a risk retention group under the Federal Risk Retention Act and is structured similarly to a well-established, highly regulated national pool. They are domiciled in Vermont and registered in 44 states, including Utah.

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

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

Unemployment compensation is handled on a cost of benefits reimbursement basis with the State of Utah. UPD is self-insured for worker's compensation claims up to \$750,000 per incident. UPD maintains an excess workers compensation policy with New York Marine and General Insurance Company to the statutory maximums for workers compensation and \$1,000,000 for employer's liability. Worker's compensation 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, 2013, UPD paid liability claims in the amount of \$6,812, workers compensation claims in the amount of \$301,189, and auto liability claims in the amount of \$11,634. At June 30, 2013, UPD has a liability of \$154,714 for outstanding claims. 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.

UNIFIED POLICE DEPARTMENT
Notes to Basic Financial Statements

9. LITIGATION

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

UNIFIED POLICE DEPARTMENT
Schedule of Funding Progress
Other Postemployment Benefit Plan
Year Ended June 30, 2013

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%

UNIFIED POLICE DEPARTMENT

COMPLIANCE REPORTS

Year Ended June 30, 2013

TABLE OF CONTENTS

	Page
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	5
Summary Schedule of Prior Audit Findings	7
Schedule of Findings and Questioned Costs	8
Independent Auditor's Report on Each General State Compliance Requirement Tested and Report on Internal Control Over Compliance in Accordance with the <i>State of Utah Legal Compliance Audit Guide</i>	9
Letter to Management	11

UNIFIED POLICE DEPARTMENT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor Agency / Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Project Name	Project Period	(Unearned) Receivable June 30, 2012	Received	Expended	(Unearned) Receivable June 30, 2013
U.S. DEPARTMENT OF AGRICULTURE								
Direct Programs:								
U.S. Forest Service	10.xxx	11-LE-11041914-050	Canyon Patrolling	10/01/11-09/30/12	\$ -	\$ 15,211	\$ 15,211	\$ -
U.S. Forest Service	10.xxx	11-LE-11041914-050	Canyon Patrolling	10/01/12-09/30/13	-	16,015	17,154	1,139
Total U.S. Department of Agriculture					-	31,226	32,365	1,139
U.S. DEPARTMENT OF JUSTICE								
Direct Programs:								
Bulletproof Vest Partnership Program	16.607	OMB 1121-0235	Bullet Proof Vest Grant	04/01/06-10/31/12	10,573	33,273	29,452	6,752
Public Safety Partnership and Community Policing Grants - Recovery Act	16.710 ^	2010UMWX0324	COPS Grant	09/01/10-08/31/13	122,022	-	128,015	250,037
Gang Resistance Education and Training	16.737	2009-JV-FX-0029	Great Grant	09/01/09-08/31/12	1,256	19,535	18,279	-
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2011-DJ-BX-3280	2010 JAG	07/01/11-06/30/14	-	20,389	20,389	-
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2012-DJ-BX-0901	Midvale JAG	07/01/12-06/03/16	-	18,164	18,164	-
Postconviction DNA Testing Program	16.820	2012-DN-BX-K029	2013 JAG	10/01/12-03/31/14	-	-	56,303	56,303
Passed through State of Utah Office of Crime Victim Reparations:								
Crime Victim Assistance	16.575	11-VOCA-34	Midvale VOCA	07/01/11-06/30/12	-	15,296	15,296	-
Crime Victim Assistance	16.575	11-VOCA-68	UPD VOCA	07/01/11-06/30/12	5,211	11,365	6,154	-
Crime Victim Assistance	16.575	12-VOCA-64	UPD VOCA	07/01/12-06/30/13	-	16,345	33,066	16,721
Crime Victim Assistance	16.575	12-VOCA-67	UPD VOCA	07/01/12-06/30/13	-	84,855	100,198	15,343
Violence Against Women Formula Grants - Recovery Act	16.588 ^	11-VAWA-55	UPD VAWA	07/01/12-03/01/13	-	12,137	12,137	-
Violence Against Women Formula Grants - Recovery Act	16.588 ^	12-VAWA-33	UPD VAWA	01/01/13-12/31/13	-	-	20,598	20,598
Passed through State of Utah Department of Highway Safety:								
Enforcing Underage Drinking Laws Program	16.727	JJP2011J1113	Canyon Alcohol Enforcement	06/01/11-06/15/13	1,441	10,367	10,363	1,437
Passed through State of Utah Department of Public Safety:								
U.S Marshall	16.xxx	EC-UT-110	Metro Narcotics Task Force	10/01/07-06/30/14	1,324	12,202	11,922	1,044
Passed through Taylorsville City:								
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2012-DJ-BX-0260	Taylorsville JAG	10/01/11-09/30/15	-	1,725	1,725	-
Passed through Salt Lake City Police Department:								
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2009-DJ-BS-0246	2009 JAG	10/01/09-09/30/12	-	5,079	5,079	-
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2011-DJ-BX-2372	2010 JAG	11/01/11-09/30/14	-	11,622	11,622	-
Passed through Utah Commission on Criminal and Juvenile Justice:								
Edward Byrne Memorial Justice Assistance Grant Program*	16.738	2010-DJ-BX-0318	E-Citation	10/01/11-09/30/12	-	3,638	3,638	-
Total U.S. Department of Justice					141,827	275,992	502,400	368,235
U.S. DEPARTMENT OF TRANSPORTATION								
Passed through State of Utah Highway Safety Office:								
Alcohol Impaired Driving Countermeasures Incentive Grants I**	20.601	K8120305	Click it or Ticket	05/25/12-05/27/12	3,500	3,500	-	-
Total U.S. Department of Transportation					3,500	3,500	-	-
U.S. DEPARTMENT OF HOMELAND SECURITY								
Passed through State of Utah Department of Public Safety:								
Map Modernization Management Support	97.070	DOJ-2010-SHSP	2009-DJ-BX-0246	04/25/11-04/24/13	-	-	5,183	5,183
Map Modernization Management Support	97.070	DOJ-2011-SHSP	2010-DJ-BX-0246	09/01/11-08/31/14	-	40,582	44,199	3,617
Map Modernization Management Support	97.070	2010 UASI	2010 Homeland Security UASI	01/01/11-07/31/13	-	15,546	188,274	172,728
Total U.S. Department of Homeland Security					-	56,128	237,656	181,528
Total federal awards					\$ 145,327	\$ 366,846	\$ 772,421	\$ 550,902

* JAG Program Cluster

** Highway Safety Cluster

^ Indicates program is funded by Recovery Act

See notes to schedule of expenditures of federal awards

UNIFIED POLICE DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

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

Note C. **Relationship to UPD’s Financial Statements** – Federal awards expended on the schedule of expenditures of federal awards for the year ended June 30, 2013 are also reported in UPD’s financial statements as program revenues on the statement of activities and as grants and contributions on the statement of revenues, expenditures, and changes in fund balance.



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

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

Board of Directors
Unified Police Department

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of Unified Police Department (UPD), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise UPD's basic financial statements, and have issued our report thereon dated November 20, 2013.

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

Compliance and Other Matters

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Orem, Utah
November 20, 2013



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

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

Board of Directors
Unified Police Department

Report on Compliance for Each Major Federal Program

We have audited the compliance of Unified Police Department (UPD) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of UPD's major federal programs for the year ended June 30, 2013. UPD's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of UPD's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UPD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UPD's compliance.

Opinion on Each Major Federal Program

In our opinion, UPD complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of UPD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UPD's internal control over compliance with the types of requirements

that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UPD's internal control over compliance.

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

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

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

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

We have audited the financial statements of Unified Police Department as of and for the year ended June 30, 2013, and have issued our report thereon dated November 20, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Orem, Utah
November 20, 2013

UNIFIED POLICE DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

No matters were reported in the prior year audit.

UNIFIED POLICE DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2013

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified? ___ yes X no

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

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

-Material weaknesses identified? ___ yes X no

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.575	Crime Victim Assistance
97.070	Map Modernization Management Support

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

Auditee qualified as low-risk auditee? ___ yes X no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



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

Independent Auditor's Report on Each General State Compliance
Requirement Tested Program and Report on Internal Control Over
Compliance in Accordance with the *State of Utah Legal Compliance Audit Guide*

Board of Directors
Unified Police Department

Report on Each General State Compliance Requirement Tested

We have audited the compliance of Unified Police Department (UPD) with general state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2013.

General state compliance requirements tested for the year ended June 30, 2013 are identified as follows:

Cash Management
Budgetary Compliance
Utah Retirement Systems Compliance
Conflicts of Interest
Nepotism

UPD received no major state awards for the year ended June 30, 2013.

Management's Responsibility

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

Auditor's Responsibility

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

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each general state compliance requirement tested. However, our audit does not provide a legal determination of the UPD's compliance.

Opinion on Each General State Compliance Requirement Tested

In our opinion, Unified Police Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each general compliance requirement tested for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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



Orem, Utah
November 20, 2013



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

Letter to Management

Board of Directors
Unified Police Department

In planning and performing our audit of the basic financial statements of Unified Police Department (UPD) as of and for the year ended June 30, 2013, 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*, we considered UPD's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the UPD's internal control. Accordingly, we do not express an opinion on the effectiveness of UPD's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we identified certain matters involving internal control, compliance, and other operational matters that are presented for your consideration. This letter does not affect our report dated November 20, 2013, on the financial statements of UPD. This letter accompanies our reports dated November 20, 2013, in accordance with *Government Auditing Standards*, OMB Circular A-133, and the *State of Utah Legal Compliance Audit Guide*.

Certain Other Matters

Certifications – We noted that formal certifications as required by OMB Circular A-87 to support allocation of payroll costs to restricted federal programs are not always adequately documented. We recommend that monthly certifications be obtained for individuals who work in more than one program if at least one of the programs is federal. We also recommend that semi-annual certifications be obtained for employees that work in a single federal program.

Management's Response – We appreciate your recommendations. We will review these items and make changes as necessary.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control and compliance, or result in other operating efficiencies.

We appreciated working with and the assistance and responsiveness of UPD personnel during the audit. We also note management's ability and sensitivity to display and communicate an appropriate attitude regarding internal control and the financial reporting process. We are available to discuss these matters with you as needed.

This communication is intended solely for the information and use of the Board of Directors and management of Unified Police Department and oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

Agui & Company, PC

Orem, Utah
November 20, 2013