

UNIFIED POLICE DEPARTMENT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2018

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Independent Auditor's Report

Board of Directors
Unified Police Department

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund (a major fund), and the aggregate remaining fund information of the Unified Police Department (UPD) as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, 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
December 14, 2018

Management's Discussion and Analysis

As management of the Unified Police Department (UPD), we offer readers of UPD's financial statements this narrative discussion, overview, and analysis of the financial activities of UPD for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements and related notes.

FINANCIAL HIGHLIGHTS

- UPD's net position is \$8.6 million at the close of the most recent fiscal year.
- During the year, expenses are \$3.9 million less than the \$73.9 million generated in member fees and other revenues for governmental activities. During the prior year, expenses are more than revenues by \$1.5 million.
- At the close of the current year, UPD's governmental fund (General Fund) reports a fund balance of \$7.8 million compared to \$7.0 million at the end of 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 and other information (comparative statements) in addition to the basic financial statements themselves.

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

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

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

The government-wide financial statements of UPD are reported as *governmental activities*; UPD has only one governmental function, which is law enforcement services. Member fees finance most of the law enforcement service activities.

The government-wide financial statements can be found on pages 11 and 12 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. The funds of UPD are grouped into three 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 13 through 17 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 programs. UPD uses one internal service fund (the Vehicle Replacement Fund) to accumulate resources for the replacement of fleet vehicles. This internal service fund is reported within governmental activities in the government-wide financial statements.

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

- **Fiduciary fund.** UPD has one fiduciary fund type. An *agency 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. 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 21 of this report.

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

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

To provide comparative data, selected financial information is provided as other information. This other information can be found on pages 42 through 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of UPD, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$8.6 million at the close of the most recent fiscal year.

The largest portion of UPD's net position (\$9.7 million) reflects its investment in capital assets (e.g., equipment and vehicles, net of accumulated depreciation). The UPD uses these capital assets to provide law enforcement services to the communities it serves; consequently, these assets are not available for future spending.

The remaining balance of net position is an unrestricted deficit of \$1.1 million at the end of the current year. This deficit is net of UPD's proportionate share of the state's unfunded obligation of the defined benefit pension plans administered by Utah Retirement Systems and UPD employee benefit obligations, all totaling \$24.9 million at June 30, 2018.

UNIFIED POLICE DEPARTMENT'S Net Position June 30, 2018 and 2017 (in millions of dollars)

	Governmental Activities		
	2018	2017	Change 2018-2017
Current and other assets	\$ 12.2	\$ 11.9	\$ 0.3
Capital assets	9.7	10.1	(0.4)
Total assets	21.9	22.0	(0.1)
Deferred outflows of resources	26.1	21.1	5.0
Other liabilities	2.0	2.6	(0.6)
Long-term liabilities outstanding	26.8	32.7	(5.9)
Total liabilities	28.8	35.3	(6.5)
Deferred inflows of resources	10.6	3.1	7.5
Net position:			
Investment in capital assets	9.7	10.1	(0.4)
Unrestricted (deficit)	(1.1)	(5.4)	4.3
Total net position	\$ 8.6	\$ 4.7	\$ 3.9

Governmental activities – The key elements of the \$3.9 million increase of UPD's net position for the year ended June 30, 2018, are as follows:

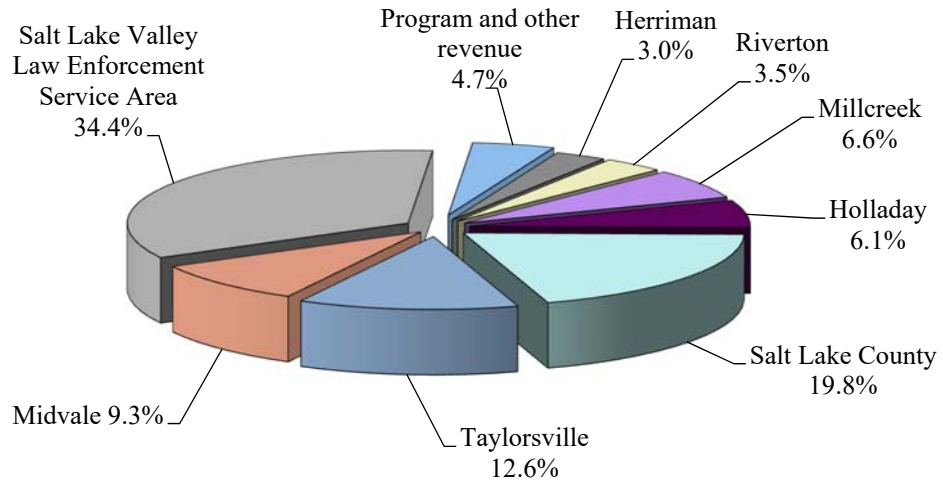
- Revenues total \$73.9 million for the year ended June 30, 2018, which is an increase of \$2.1 million compared to the prior year. The largest net dollar increase in revenues is from member fees of \$2.4 million which represents a 3.5% increase in fees for providing law enforcement services. The largest net dollar decrease in revenues is from charges for services of \$0.5 million resulting from how 911 surcharge fees are distributed. Prior to fiscal year 2018, 911 surcharges were distributed to the individual agencies and then passed through to Salt Lake Valley Emergency Communications Center (VECC). Due to legislative changes, 911 surcharge fees are now distributed directly to VECC and no longer pass through UPE or other local government agencies.

- Expenses total \$70.0 million during the current year, which is a decrease of \$3.3 million compared to the prior year. This decrease is largely due to changes in retiree health care benefits, the elimination of certain fees and programs, and vacancies in positions.
- Member fees comprise 95.9% and 95.4% of UPD's revenue used to provide law enforcement services to its members for the years ended June 30, 2018 and 2017, respectively.
- Effective May 31, 2017, the UPD's Board changed the terms of its post-employment health care benefit (OPEB) and discontinued the benefit for active employees; the benefit is available only to employees who retired on or before that date. Accordingly, an adjustment to the obligation of \$14.1 million was recorded in 2017.

UNIFIED POLICE DEPARTMENT'S Changes in Net Position
Years Ended June 30, 2018 and 2017
(in millions of dollars)

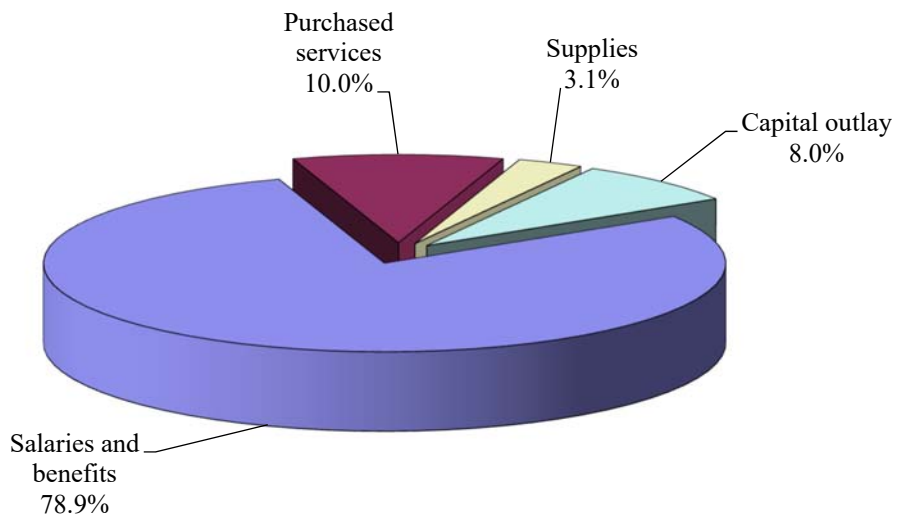
	Governmental Activities		
	2018	2017	Change 2018-2017
Revenues:			
Program revenues:			
Charges for services	\$ 1.4	\$ 1.9	\$ (0.5)
Operating grants and contributions	1.3	1.1	0.2
General revenues:			
Member fees	70.9	68.5	2.4
Other revenue	0.3	0.3	-
Total revenues	<u>73.9</u>	<u>71.8</u>	<u>2.1</u>
Expenses:			
Law enforcement services	<u>70.0</u>	<u>73.3</u>	<u>(3.3)</u>
Special item:			
Adjustment to total OPEB obligation	<u>-</u>	<u>14.1</u>	<u>(14.1)</u>
Changes in net position	3.9	12.6	(8.7)
Net position - beginning	<u>4.7</u>	<u>(7.9)</u>	<u>12.6</u>
Net position - ending	<u>\$ 8.6</u>	<u>\$ 4.7</u>	<u>\$ 3.9</u>

**UNIFIED POLICE DEPARTMENT
Revenues by Source - Governmental Activities
Year Ended June 30, 2018**



- Salaries and benefits represent the largest dollar portion of expense of \$55.8 million or 79.0% of law enforcement services.

**UNIFIED POLICE DEPARTMENT
Expenses by Object - Governmental Activities
Year Ended June 30, 2018**



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, 2018, UPD’s governmental fund reports a fund balance of \$7.8 million. The following information on revenues and expenditures should be noted:

- Member fees for law enforcement services total \$70.4 million or 95.9% of revenues. This is an increase of \$2.2 million compared to the prior year.
- Expenditures total \$72.7 million, which is an increase of \$1.0 million compared to the prior year, reflecting increases in salary and supply costs.
- Salaries total \$38.4 million while the associated employee benefits of retirement, social security, unemployment, and health insurance added \$20.2 million to arrive at 80.7% of 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, 2018, UPD’s governmental fund balance is \$7.8 million (\$0.6 million in nonspendable, \$2.1 million in committed, \$0.7 million in assigned, and \$4.4 million in unassigned fund balances).

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the Board revised UPD’s budget. Differences between the original budget and the final amended budget in the General Fund reflect the following changes:

- An increase of \$0.7 million in total budgeted revenues in anticipation of additional grant awards and contributions from private sources for specific programs administered by UPD.
- An increase of \$1.3 million in total budgeted expenditures to account for a \$0.5 million increase in salaries and employee benefits for requested positions at the precincts, pool services, and crossing guards, and a \$0.8 million increase in capital outlay for various projects and purchases including 1) the remodel of the Magna precinct, 2) expenditures for additional grants and contributions, and 3) purchases of equipment and vehicles.

With these adjustments, actual expenditures are \$5.1 million less than final budgeted amounts in the General Fund. The most significant variances are 1) \$3.4 million in salaries and benefits owing to unfilled, but approved, staff positions and 2) \$2.0 million in capital outlay reflecting the timing of projects and purchases that were approved in fiscal year 2018, but either spanned the fiscal years or were reauthorized in fiscal year 2019.

CAPITAL ASSETS

At June 30, 2018, the majority of UPD’s capital assets are fleet vehicles (\$8.8 million net of accumulated depreciation). UPD purchased \$2.7 million of vehicles during the year ended June 30, 2018.

Capital assets are outlined below:

UNIFIED POLICE DEPARTMENT'S Capital Assets
June 30, 2018 and 2017
 (net of accumulated depreciation, in millions of dollars)

	Governmental Activities		
	2018	2017	Change 2018-2017
Equipment	\$ 1.0	\$ 1.2	\$ (0.2)
Fleet vehicles	8.8	8.9	(0.1)
Total	\$ 9.8	\$ 10.1	\$ (0.3)

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

CONTACTING UNIFIED POLICE DEPARTMENT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

UNIFIED POLICE DEPARTMENT
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets:	
Cash and investments	\$ 9,821,522
Receivables	1,691,744
Prepaid items and deposits	572,507
Net state pension asset	18,945
Capital assets, net of accumulated depreciation:	
Equipment	962,483
Vehicles	8,757,099
Total assets	21,824,300
Deferred outflows of resources:	
Related to state pensions	26,106,712
Liabilities:	
Accounts payable	852,280
Accrued salaries and related benefits	1,115,444
Long-term liabilities:	
Portion due or payable within one year	4,172,851
Portion due or payable after one year	22,586,984
Total liabilities	28,727,558
Deferred inflows of resources:	
Related to state pensions	10,566,656
Net position:	
Investment in capital assets	9,719,582
Unrestricted (deficit)	(1,082,784)
Total net position	\$ 8,636,798

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

UNIFIED POLICE DEPARTMENT
Balance Sheet
Governmental Fund
June 30, 2018

	General
Assets:	
Cash and investments	\$ 7,527,699
Receivables:	
Local	1,465,073
State	92,569
Federal	134,102
Prepaid items and deposits	572,507
Total assets	\$ 9,791,950
Liabilities and fund balances:	
Liabilities:	
Accounts payable	\$ 852,280
Accrued salaries and related employee benefits	1,115,444
Total liabilities	1,967,724
Fund balances:	
Nonspendable:	
Prepaid items and deposits	572,507
Committed to:	
Compensated absences obligation	1,263,411
Self-insurance	850,000
Assigned to:	
Evidence	294,584
Forfeitures	457,274
Unassigned	4,386,450
Total fund balances	7,824,226
Total liabilities and fund balances	\$ 9,791,950

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, 2018

Total fund balances for governmental fund \$ 7,824,226

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

The net state pension asset is not an available resource and therefore is not reported in the governmental fund. 18,945

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

Equipment	\$ 7,267,666	
Accumulated depreciation	<u>(6,305,183)</u>	962,483

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. 11,050,922

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

Compensated absences obligation	(4,614,297)	
Claims payable	(1,893,305)	
Longevity payable	(150,000)	
Total OPEB obligation	(423,474)	
Net state pension liability	(19,678,758)	
Deferred outflows of resources related to state pensions	26,106,712	
Deferred inflows of resources related to state pensions	<u>(10,566,656)</u>	<u>(11,219,778)</u>

Total net position of governmental activities \$ 8,636,798

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
Year Ended June 30, 2018

	General
Revenues:	
Member fees for law enforcement services	\$ 70,432,827
Licenses and fees	346,053
Other services	1,079,454
State awards	400,734
Federal awards	893,163
Forfeitures	18,977
Interest earnings	110,499
Contributions	40,530
Other	101,934
Total revenues	73,424,171
Expenditures:	
Current:	
Law enforcement services:	
Salaries and employee benefits	58,619,019
Purchased services	7,014,732
Supplies	2,193,635
Other	117,507
Capital outlay	4,715,648
Total expenditures	72,660,541
Excess of revenues over expenditures	763,630
Other financing source - Proceeds from sale of capital assets	37,684
Net change in fund balances	801,314
Fund balances - beginning	7,022,912
Fund balances - ending	\$ 7,824,226

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

UNIFIED POLICE DEPARTMENT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Fund to the Statement of Activities
Year Ended June 30, 2018

Net change in fund balances for governmental fund \$ 801,314

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

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

Capital outlays	\$ 264,051	
Proceeds from sale of capital assets	(37,684)	
Gain on sale of capital assets	37,684	
Depreciation expense	(535,138)	(271,087)

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. (58,276)

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

Compensated absences expense	17,041	
Claims expense	238,593	
Longevity benefit expense	(23,832)	
OPEB expense	298,537	
State pension expense	2,954,396	3,484,735

Change in net position of governmental activities \$ 3,956,686

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

UNIFIED POLICE DEPARTMENT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Member fees for law enforcement services	\$ 70,636,636	\$ 70,432,226	\$ 70,432,827	\$ 601
Licenses and fees	1,008,518	1,008,518	346,053	(662,465)
Other services	1,227,000	1,729,802	1,079,454	(650,348)
State awards	175,000	203,382	400,734	197,352
Federal awards	541,824	886,701	893,163	6,462
Forfeitures	200	40,538	18,977	(21,561)
Interest earnings	30,000	30,000	110,499	80,499
Contributions	20,200	52,915	40,530	(12,385)
Other	18,000	18,000	101,934	83,934
Total revenues	<u>73,657,378</u>	<u>74,402,082</u>	<u>73,424,171</u>	<u>(977,911)</u>
Expenditures:				
Current:				
Law enforcement services:				
Salaries and employee benefits	61,458,741	61,981,289	58,619,019	3,362,270
Purchased services	6,403,605	6,411,838	7,014,732	(602,894)
Supplies	2,453,418	2,493,513	2,193,635	299,878
Other	188,486	162,126	117,507	44,619
Capital outlay	<u>5,894,753</u>	<u>6,668,601</u>	<u>4,715,648</u>	<u>1,952,953</u>
Total expenditures	<u>76,399,003</u>	<u>77,717,367</u>	<u>72,660,541</u>	<u>5,056,826</u>
Excess (deficiency) of revenues over (under) expenditures	(2,741,625)	(3,315,285)	763,630	4,078,915
Other financing sources:				
Proceeds from sale of capital assets	<u>200</u>	<u>48,248</u>	<u>37,684</u>	<u>(10,564)</u>
Net change in fund balances	(2,741,425)	(3,267,037)	801,314	4,068,351
Fund balances - beginning	<u>7,022,912</u>	<u>7,022,912</u>	<u>7,022,912</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 4,281,487</u></u>	<u><u>\$ 3,755,875</u></u>	<u><u>\$ 7,824,226</u></u>	<u><u>\$ 4,068,351</u></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, 2018

	Governmental Activities - Internal Service Fund
	Vehicle Replacement
Assets:	
Current assets:	
Cash and investments	\$ 2,293,823
Noncurrent assets:	
Capital assets:	
Fleet vehicles	15,834,217
Accumulated depreciation	(7,077,118)
Total noncurrent assets	8,757,099
Total assets	11,050,922
Net position:	
Investment in capital assets	8,757,099
Unrestricted	2,293,823
Total net position	\$ 11,050,922

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, 2018

	<u>Governmental Activities - Internal Service Fund Vehicle Replacement</u>
Operating revenues:	
Charges for services - vehicle replacement fees	\$ 2,400,802
Operating expenses:	
Purchased property services	718,592
Depreciation	2,213,101
Total operating expenses	<u>2,931,693</u>
Operating loss	(530,891)
Nonoperating revenues:	
Gain on sale of capital assets	<u>472,615</u>
Change in net position	(58,276)
Net position - beginning	<u>11,109,198</u>
Net position - ending	<u><u>\$ 11,050,922</u></u>

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

UNIFIED POLICE DEPARTMENT
Statement of Fund Cash Flows
Proprietary Fund
Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund <u>Vehicle Replacement</u>
Cash flows from operating activities:	
Receipts for interfund services provided	\$ 2,400,802
Payments to vendors	<u>(718,592)</u>
Net cash provided by operating activities	1,682,210
Cash flows from capital and related financing activities:	
Purchases of capital assets	(2,740,786)
Proceeds from sale of capital assets	<u>1,158,955</u>
Net cash used by capital and related financing activities	<u>(1,581,831)</u>
Net change in cash and cash equivalents	100,379
Cash and cash equivalents - beginning	<u>2,193,444</u>
Cash and cash equivalents - ending (displayed on the statement of fund net position as <i>cash and investments</i>)	<u><u>\$ 2,293,823</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (530,891)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	<u>2,213,101</u>
Net cash provided by operating activities	<u><u>\$ 1,682,210</u></u>
Noncash investing, capital, and financing activities	None

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

UNIFIED POLICE DEPARTMENT
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

ASSETS:

Cash and investments	\$ 489,601
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LIABILITIES:

Deposits held for others:

Evidence	\$ 235,622
Pending forfeitures	246,747
Civil service fees	7,232
Total liabilities	<u>\$ 489,601</u>

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

UNIFIED POLICE DEPARTMENT

Notes to the Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity – UPD was formed on September 3, 2009, and was established under an interlocal agreement to provide law enforcement services to its members' jurisdictions. Operations began January 1, 2010. The Board of Directors (the Board), comprised of a mayor or council member from each member city and metro township, the Salt Lake County mayor, and one member from the Salt Lake County council, is the primary governing authority for UPD. The Board establishes policies, approves the budget, and appoints officials with responsibilities for administering all law enforcement activities and fiscal matters of UPD. UPD serves the municipalities, metro townships, and communities of Copperton, Emigration Canyon, Herriman, Holladay, Kearns, Magna, Midvale, Millcreek, Riverton, Taylorsville, White City, and the unincorporated areas of Salt Lake County and performs county-wide functions for the whole Salt Lake County. Subsequent to June 30, 2018, Herriman and Riverton will withdraw from UPD (see Note 11).

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 (such as, internal service fund activity and indirect cost charges to cost centers).

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

UPD reports the following major governmental fund:

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

UNIFIED POLICE DEPARTMENT

Notes to the Basic Financial Statements

Additionally, UPD reports the following fund types:

- **Internal Service Fund.** The Vehicle Replacement Fund (a proprietary fund) is an internal service fund used by UPD to account for the activities associated with UPD's replacement of fleet vehicles. Fees are charged to 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: investment in capital assets (equipment and vehicles, net of accumulated depreciation), restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

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

- **Nonspendable.** This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- **Restricted.** This category includes amounts that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- **Committed.** This category includes amounts that can only be used for specific purposes established by formal action of the Board. Fund balance commitments can only be removed or changed by the same type of action (for example, resolution) of the Board. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned.** This category includes 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 UPD will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

UNIFIED POLICE DEPARTMENT

Notes to the Basic Financial Statements

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, UPD considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, pension expense, other post-employment benefits (OPEB), and claims related to workers' compensation obligations are recorded only when payment is due. 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 on or before June 1.
- After a public hearing is held, the Board, by resolution, legally adopts the final budget no later than June 22.

UNIFIED POLICE DEPARTMENT

Notes to the Basic Financial Statements

- Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the fiscal officer; however, increases in appropriations at the overall fund level require a public hearing prior to amending the budget. In accordance with Utah law and with Board policy, administration may make interim adjustments from one cost center 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, 2018, are included in the final budget approved by the Board, as presented in the financial statements.
- UPD has one activity: law enforcement services. Accordingly, expenditures may not legally exceed budgeted appropriations at the fund level.

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

Receivables – Receivables consists of amounts due to UPD from federal, state, and local sources. UPD considers all amounts due to be fully collectible and has not established an allowance for doubtful accounts at June 30, 2018.

Capital Assets – All purchased equipment or vehicles costing more than \$5,000 are capitalized and reported at cost or estimated historical cost in the proprietary fund and government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized in the financial statements. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Capital assets allocated from member cities are recorded at book value net of accumulated depreciation which approximates acquisition value. UPD does not purchase nor construct infrastructure (public domain) assets. Governmental activity capital assets are recorded as expenditures in the governmental fund financial statements at the time of purchase or construction. Depreciation is provided on capital assets using the straight-line method over their estimated useful lives as follows:

Equipment	3 to 10 years
Vehicles	5 to 10 years

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

Other Post-Employment Benefits (OPEB) – For purposes of measuring the total OPEB liability and OPEB expense, UPD recognizes benefit payments when due and payable in accordance with the benefit terms. The total OPEB liability is measured at the discounted present value of expected future benefits.

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

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

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

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

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2018, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 5,217,738
Carrying amount of investments	5,093,385
Total cash and investments	\$ 10,311,123
Governmental fund cash and investments	\$ 7,527,699
Proprietary fund cash and investments	2,293,823
Governmental activity cash and investments	9,821,522
Agency fund cash and investments	489,601
Total cash and investments	\$ 10,311,123

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

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

Deposits – At June 30, 2018, UPD had the following deposits with financial institutions:

	Carrying Amount	Bank Balance	Amount Insured
Total deposits	\$ 5,217,738	\$ 5,687,459	\$ 350,145

- **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, 2018, \$5,337,314 of UPD’s bank deposits were uninsured and uncollateralized. No deposits are collateralized nor are they required to be by state statute.

Investments – At June 30, 2018, UPD had \$5,093,385 invested with the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities held by the Utah State Treasurer, including investment-grade corporate notes, top-tier commercial paper, money market mutual funds, repurchase agreements, and certificates of deposit. The portfolio has a weighted average maturity of 52 days. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

3. FAIR VALUE MEASUREMENTS

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

UPD has the following recurring fair value measurements as of June 30, 2018:

- Public Treasurers’ Investment Fund position of \$5,093,385 is valued at UPD’s position in the PTIF (Level 2 inputs).

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, is as follows:

	<u>Balance at June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2018</u>
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 7,003,615	\$ 264,051	\$ -	\$ 7,267,666
Fleet vehicles	16,116,917	2,740,786	(3,023,486)	15,834,217
Total capital assets being depreciated	23,120,532	3,004,837	(3,023,486)	23,101,883
Accumulated depreciation for:				
Equipment	(5,770,045)	(535,138)	-	(6,305,183)
Fleet vehicles	(7,201,163)	(2,213,101)	2,337,146	(7,077,118)
Total accumulated depreciation	(12,971,208)	(2,748,239)	2,337,146	(13,382,301)
Total capital assets being depreciated, net	<u>\$ 10,149,324</u>	<u>\$ 256,598</u>	<u>\$ (686,340)</u>	<u>\$ 9,719,582</u>

Depreciation expense for the year ended June 30, 2018, is charged to functions of UPD as follows:

Governmental activities:		
Law enforcement services		\$ 535,138
Depreciation on capital assets of the internal service fund charged to the various functions based on their usage of the assets		<u>2,213,101</u>
Total depreciation expense - governmental activities		<u>\$ 2,748,239</u>

5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018, is as follows:

	<u>Balance at June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2018</u>	<u>Portion Due Within One Year</u>
Governmental activities:					
Compensated absences obligation	\$ 4,631,338	\$ 5,086,690	\$ (5,103,731)	\$ 4,614,297	\$ 3,076,198
Claims payable	2,131,898	700,177	(938,770)	1,893,305	946,653
Longevity payable	126,168	168,718	(144,886)	150,000	150,000
Total OPEB obligation	722,011	-	(298,537)	423,474	-
Net state pension liability	<u>25,075,262</u>	<u>3,389,122</u>	<u>(8,785,626)</u>	<u>19,678,758</u>	<u>-</u>
Total governmental activity long-term liabilities	<u>\$ 32,686,677</u>	<u>\$ 9,344,707</u>	<u>\$ (15,271,550)</u>	<u>\$ 26,759,834</u>	<u>\$ 4,172,851</u>

Compensated Absences – UPD accrues vacation for all full-time employees. Employees earn between 12 and 24 vacation days each year depending upon length of service with UPD. UPD is liable to its employees

UNIFIED POLICE DEPARTMENT

Notes to the Basic Financial Statements

for days earned but not taken. If an employee terminates, then payment for accrued vacation 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 25% of the value of the sick leave accumulation is accrued. UPD estimates these obligations at June 30, 2018, to be \$4,614,297. These obligations will be paid by the General Fund.

Longevity Payable – During fiscal year 2017, UPD implemented a new benefit to employees who reach at least 20 years of credited service during the fiscal year. This benefit is a one-time payout of \$5,000 during the month of June. An employee may decide to receive this benefit as cash or be deposited into a retirement or health savings account. This benefit is subject to annual approval by the Board. Payments for this benefit for the year ended June 30, 2018, total \$144,886. Anticipated and approved payments for the year ending June 30, 2018, will be \$150,000, recorded as a payable at June 30, 2018.

Other Long-Term Liabilities – See Notes 6, 7, and 9 to the basic financial statements for disclosures regarding UPD’s net state pension liability, total OPEB obligation, and claims payable, respectively.

6. STATE RETIREMENT PLANS

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

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

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

State Defined Contribution Plans (individual account plans):

- *401(k) Plan* which includes the *Tier 2 Public Employees Defined Contribution Plan* (Tier 2 Defined Contribution Plan – Local Government) and the *Tier 2 Public Safety and Firefighter Defined Contribution Plan* (Tier 2 Defined Contribution Plan – Public Safety)
- *457 Plan* and other individual plans

UPD employees qualify for membership in the public employees’ systems if 1) employment normally requires an average of 20 or more hours per week and the employee receives benefits normally provided by UPD as approved by the Utah State Retirement Board or 2) the employee is an appointed officer whose position is full time as certified by UPD. An employee qualifies for membership in the public safety systems if employment normally requires an average of 2,080 hours of employment a year in a recognized public safety department.

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

UNIFIED POLICE DEPARTMENT

Notes to the Basic Financial Statements

The plans are established and governed by the respective sections of Title 49 of the *Utah Code*. The plans are amended statutorily by the Utah State Legislature. Title 49 provides for the administration of the plans under the direction of the Utah State Retirement Board, whose members are appointed by the Governor.

URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

Benefits Provided – URS provides retirement, disability, and death benefits to participants in the plans.

Retirement benefits in the state defined benefit pension plans are determined from 1.50% to 2.50% of the employee's highest 3 or 5 years of compensation multiplied by the employee's years of service depending on the state pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the state defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. If an employee terminates prior to the vesting period, employer contributions and associated earnings for that employee are subject to forfeiture. Forfeitures are used to cover a portion of the plan's administrative expenses paid by participants. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergencies.

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

For the year ended June 30, 2018, UPD required contribution rates for the plans were as follows:

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

	<u>Defined Benefit Plans Rates</u>		<u>UPD Rates</u>	<u>Totals</u>
	<u>UPD</u>	<u>Amortization</u>	<u>for 401(k)</u>	
	<u>Contribution</u>	<u>of UAAL *</u>	<u>Plan</u>	
Tier 1 Noncontributory System	11.86%	6.61%	-	18.47%
Tier 1 Public Safety System	22.56%	9.64%	-	32.20%
Tier 2 Contributory System **	8.50%	6.61%	1.58%	16.69%
Tier 2 Public Safety System **	10.82%	9.64%	1.26%	21.72%
Tier 2 Defined Contribution Plans: **				
Local Government	0.08%	6.61%	10.00%	16.69%
Public Safety	0.08%	9.64%	12.00%	21.72%

* UPD is required to contribute additional amounts based on covered payroll to finance the unfunded actuarial accrued liability (UAAL) of the Tier 1 plans.

** UPD contribution includes 0.08% of covered payroll of the Tier 2 plans for death benefits.

Employees can make additional contributions to defined contribution plans, up to applicable plan and Internal Revenue Code limits.

For the year ended June 30, 2018, UPD and employee contributions to the plans were as follows:

	<u>UPD</u>	<u>Employee</u>
	<u>Contributions *</u>	<u>Contributions</u>
Tier 1 Noncontributory System	\$ 903,638	\$ -
Tier 1 Public Safety System	7,103,256	-
Tier 2 Contributory System	275,214	-
Tier 2 Public Safety System	434,377	-
Tier 2 Defined Contribution Plans:		
Local Government	25,492	-
Public Safety	44,325	-
401(k) Plan	2,845,810	919,849
457 Plan and other individual plans	-	655,023

* Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans.

State Pension Liabilities, State Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Pensions – At June 30, 2018, UPD reported a net state pension asset of \$18,945 and a liability of \$19,678,758 for its proportionate share of the net state pension liability (asset) for the following plans:

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

	Net State Pension Asset	Net State Pension Liability
Tier 1 Noncontributory System	\$ -	\$ 2,709,475
Tier 1 Public Safety System	-	16,954,050
Tier 2 Contributory System	-	15,233
Tier 2 Public Safety System	18,945	-
Total	\$ 18,945	\$ 19,678,758

The net state pension liability (asset) was measured as of December 31, 2017, and the total state pension liability was determined by an actuarial valuation as of January 1, 2017, rolled-forward using generally accepted actuarial procedures. UPD's proportion of the net state pension liability (asset) is equal to the ratio of UPD's actual contributions compared to the total of all employer contributions during the plan year. The following presents UPD's proportion (percentage) of the collective net state pension liability (asset) at December 31, 2017, and the change in its proportion since the prior measurement date for each plan:

	Proportionate Share	
	2017	Change
Tier 1 Noncontributory System	0.6184180%	0.0200944%
Tier 1 Public Safety System	35.0867757%	1.0548423%
Tier 2 Contributory System	0.1727768%	-0.0180482%
Tier 2 Public Safety System	1.6373416%	0.0796802%

For the year ended June 30, 2018, UPD recognized state pension expense of \$5,831,231 for the state defined benefit pension plans and state pension expense of \$2,915,627 for the state defined contribution plans. At June 30, 2018, UPD reported deferred outflows of resources and deferred inflows of resources related to state defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,091,784	\$ 180,138
Changes of assumptions	8,924,716	835,214
Net difference between projected and actual earnings on pension plan investments	3,324,042	9,354,576
Changes in proportion and differences between UPD contributions and proportionate share of contributions	407,148	196,728
UPD contributions subsequent to the measurement date	4,359,022	-
Total	\$ 26,106,712	\$ 10,566,656

The \$4,359,022 reported as deferred outflows of resources related to state pensions resulting from UPD contributions subsequent to the measurement date will be recognized as a reduction of the net state pension

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

liability (asset) in the year ending June 30, 2019. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to state defined benefit pension plans will be recognized in state pension expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 4,079,305
2020	4,093,930
2021	2,401,624
2022	548,777
2023	(5,489)
Thereafter	62,887

Actuarial Assumptions – The total state pension liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2016. Changes of assumptions that affected measurement of the total state pension liability since the prior measurement date include a decrease in the earnings assumptions from 7.20% to 6.95%, a decrease in the inflation assumption from 2.60% to 2.50%, and an increase in life expectancy for most groups based on a new post-retirement mortality table using actual experience. Additional changes of assumptions include a decrease to the wage inflation assumption from 3.35% to 3.25% and a decrease to the payroll growth assumption from 3.1% to 3.0%.

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

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

Asset Class	Expected Return Arithmetic Basis		
	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	40%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.90%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

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

Discount Rate – The discount rate used to measure the total state pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the state pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on state pension plan investments was applied to all periods of projected benefit payments to determine the total state pension liability.

Sensitivity of UPD’s Proportionate Share of the Net State Pension Liability to Changes in the Discount Rate – The following presents UPD’s proportionate share of the net state pension liability calculated using the discount rate of 6.95%, as well as what UPD’s proportionate share of the net state pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
UPD's proportionate share of the net state pension (asset) liability:			
Tier 1 Noncontributory System	\$ 7,327,691	\$ 2,709,475	\$ (1,130,343)
Tier 1 Public Safety System	43,679,088	16,954,050	(4,833,965)
Tier 2 Contributory System	179,364	15,233	(111,335)
Tier 2 Public Safety System	167,772	(18,945)	(161,598)
Totals	\$ 51,353,915	\$ 19,659,813	\$ (6,237,241)

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

State Pension Plan Fiduciary Net Position – Detailed information about the state pension plan’s fiduciary net position is available in the separately issued URS financial report.

Payables to the State Pension Plans – At June 30, 2018, UPD reported payables of \$536,810 for contributions to the plans.

7. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

Plan Description – UPD provides post-employment health care through a single-employer defined benefit plan, to employees who retire from UPD and qualify to retire from the Utah Retirement Systems. Effective May 31, 2017, the Board changed the benefit terms and discontinued the benefit for active employees; the plan is only available to employees who have retired on or before May 31, 2017. No assets are accumulated in a trust that meets the criteria of generally accepted accounting principles.

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

Employees Covered by Benefit Terms – At June 30, 2018, thirty-three inactive employees (retirees) are receiving benefit payments from the plan.

Total OPEB Obligation – UPD’s total retirement liability of \$423,474 was measured as of June 30, 2018.

Assumptions and Other Inputs – The total OPEB obligation in the June 30, 2018, valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement:

Discount rate	3.0%
Healthcare cost trend rates	8.0%

Changes in the Total OPEB Obligation:

	Total OPEB Obligation
Balance at June 30, 2017	\$ 722,011
Changes for the year:	
Service cost	-
Interest	21,660
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(320,197)
Net changes	(298,537)
Balance at June 30, 2018	\$ 423,474

Sensitivity of the Total OPEB Obligation to Changes in the Discount Rate – The following presents UPD’s total OPEB obligation calculated using the discount rate of 3.0%, as well as what UPD’s total OPEB

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

obligation would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0%) or 1-percentage-point higher (4.0%) than the current discount rate:

	1% Decrease (2.0%)	Discount Rate (3.0%)	1% Increase (4.0%)
Total OPEB obligation	\$ 444,512	\$ 423,474	\$ 404,233

Sensitivity of the Total OPEB Obligation to Changes in the Healthcare Cost Trend Rate – The following presents UPD’s total OPEB liability calculated using the healthcare cost trend rate of 8.0%, as well as what UPD’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current healthcare cost trend rates:

	1% Decrease (7.0%)	Healthcare Cost Trend Rates (8.0%)	1% Increase (9.0%)
Total OPEB obligation	\$ 404,953	\$ 423,474	\$ 443,233

8. COMMITMENTS

UPD is committed under operating leases for buildings that were formerly obligations of Salt Lake County.

- Monthly rent is \$3,030 for the Magna building and the lease expires on December 31, 2020.
- Monthly rent is \$25,092 for the sheriff’s office 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 is renewed every five years.
- Monthly rent is \$6,641 for the Kearns building and is a month-to-month lease.
- Monthly rent is \$9,059 for the Millcreek building and is a month-to-month lease.

9. 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. States is domiciled in Vermont and registered in 44 states, including Utah.

UPD maintains a public 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 workers’ compensation, auto liability, and general liability claims up to \$750,000

UNIFIED POLICE DEPARTMENT
Notes to the Basic Financial Statements

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

UPD has established a \$750,000 and \$100,000 commitment of fund balance for either claims outstanding or for claims incurred but not reported (IBNR) for its workers' compensation obligation and its dental benefits obligations, respectively. The unpaid claims are included as long-term liabilities in the government-wide financial statements. Liabilities are based on the estimated ultimate cost of settling claims using past experience adjusted for current trends. This liability is UPD's best estimate based on available information. There are 52 general liability, automobile, or workers' compensation cases that occurred prior to June 30, 2018, which have not been resolved. These obligations will be paid by the General Fund. Changes in the balances of claims liabilities during the years ended June 30, 2018 and 2017, are listed as follows:

	General Liability, Automobile, and Workers' Compensation		Dental Benefits	
	2018	2017	2018	2017
Unpaid claims at beginning of year	\$ 2,107,756	\$ 483,208	\$ 24,142	\$ -
Incurred claims	167,451	1,857,095	532,726	501,797
Claims paid	(416,575)	(232,547)	(522,195)	(477,655)
Unpaid claims at end of year	\$ 1,858,632	\$ 2,107,756	\$ 34,673	\$ 24,142

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

10. LITIGATION

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

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, Herriman City withdrew from UPD on September 30, 2018, and Riverton City has announced they will withdraw with an effective date as of June 30, 2019. As part of withdrawing from UPD, certain assets, including fleet vehicles, and liabilities will be transferred to the respective cities at an amount yet to be determined.

Required Supplementary Information

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

	<u>2018</u>	<u>2017</u>
Total OPEB obligation:		
Service cost	\$ -	\$ -
Interest	21,660	436,560
Changes of benefit terms	-	(14,100,234)
Differences between expected and actual experience	-	-
Changes of assumptions and other inputs	-	-
Benefit payments	<u>(320,197)</u>	<u>(166,325)</u>
Net change in total OPEB obligation	(298,537)	(13,829,999)
Total OPEB obligation - beginning	<u>722,011</u>	<u>14,552,010</u>
Total OPEB obligation - ending	<u>\$ 423,474</u>	<u>\$ 722,011</u>
Covered-employee payroll	\$ -	\$ -
Total OPEB obligation as a percentage of covered-employee payroll	N/A	N/A

This schedule only presents information for the 2017 and subsequent measurement periods of the plans; prior-year information is not available.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tier 1 Noncontributory System:				
UPD's proportion of the net state pension liability (asset)	0.6184180%	0.5983236%	0.6110182%	0.6188018%
UPD's proportionate share of the net state pension liability (asset)	\$ 2,709,475	\$ 3,841,970	\$ 3,457,438	\$ 2,686,983
UPD's covered employee payroll	\$ 5,006,389	\$ 4,904,805	\$ 4,961,018	\$ 5,142,720
UPD's proportionate share of the net state pension liability (asset) as a percentage of its covered payroll	54.1%	78.3%	69.7%	52.2%
State plan fiduciary net position as a percentage of the total state pension liability	91.9%	87.3%	87.8%	90.2%
Tier 1 Public Safety System:				
UPD's proportion of the net state pension liability (asset)	35.0867757%	34.0319334%	33.4368840%	34.1590237%
UPD's proportionate share of the net state pension liability (asset)	\$ 16,954,051	\$ 21,212,005	\$ 16,315,572	\$ 13,507,595
UPD's covered employee payroll	\$ 24,153,906	\$ 24,106,937	\$ 23,221,391	\$ 23,256,807
UPD's proportionate share of the net state pension liability (asset) as a percentage of its covered payroll	70.2%	88.0%	70.3%	58.1%
State plan fiduciary net position as a percentage of the total state pension liability	90.5%	86.1%	87.6%	89.0%
Tier 2 Contributory System:				
UPD's proportion of the net state pension liability (asset)	0.1727768%	0.1908250%	0.1842218%	0.1662502%
UPD's proportionate share of the net state pension liability (asset)	\$ 15,233	\$ 21,286	\$ (402)	\$ (5,038)
UPD's covered employee payroll	\$ 1,691,323	\$ 1,564,900	\$ 1,190,292	\$ 815,533
UPD's proportionate share of the net state pension liability (asset) as a percentage of its covered payroll	0.9%	1.4%	0.0%	-0.6%
State plan fiduciary net position as a percentage of the total state pension liability	97.4%	95.1%	100.2%	103.5%
Tier 2 Public Safety System:				
UPD's proportion of the net state pension liability (asset)	1.6373416%	1.5576614%	1.6836008%	1.5274246%
UPD's proportionate share of the net state pension liability (asset)	\$ (18,945)	\$ (13,521)	\$ (24,598)	\$ (22,596)
UPD's covered employee payroll	\$ 1,728,151	\$ 1,286,980	\$ 1,001,980	\$ 632,787
UPD's proportionate share of the net state pension liability (asset) as a percentage of its covered payroll	-1.1%	-1.1%	-2.5%	-3.6%
State plan fiduciary net position as a percentage of the total state pension liability	103.0%	103.6%	110.7%	120.5%

UNIFIED POLICE DEPARTMENT
Schedules of UPD Contributions
Utah Retirement Systems
Last Four Reporting (Fiscal) Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tier 1 Noncontributory System:				
Contractually required contribution	\$ 903,638	\$ 926,750	\$ 907,006	\$ 918,960
Contributions in relation to the contractually required contribution	(903,638)	(926,750)	(907,006)	(918,960)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
UPD's covered payroll	\$ 4,892,466	\$ 5,033,608	\$ 4,935,519	\$ 5,099,127
Contributions as a percentage of covered payroll	18.47%	18.41%	18.38%	18.02%
Tier 1 Public Safety System:				
Contractually required contribution	\$ 7,103,256	\$ 7,245,747	\$ 6,902,711	\$ 6,867,562
Contributions in relation to the contractually required contribution	(7,103,256)	(7,245,747)	(6,902,711)	(6,867,562)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
UPD's covered payroll	\$ 23,816,433	\$ 24,347,176	\$ 23,408,249	\$ 23,335,441
Contributions as a percentage of covered payroll	29.83%	29.76%	29.49%	29.43%
Tier 2 Contributory System:				
Contractually required contribution	\$ 275,214	\$ 245,549	\$ 209,489	\$ 144,457
Contributions in relation to the contractually required contribution	(275,214)	(245,549)	(209,489)	(144,457)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
UPD's covered payroll	\$ 1,821,471	\$ 1,647,373	\$ 1,405,018	\$ 967,446
Contributions as a percentage of covered payroll	15.11%	14.91%	14.91%	14.93%
Tier 2 Public Safety System:				
Contractually required contribution	\$ 434,377	\$ 303,607	\$ 239,486	\$ 181,560
Contributions in relation to the contractually required contribution	(434,377)	(303,607)	(239,486)	(181,560)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
UPD's covered payroll	\$ 2,123,050	\$ 1,488,858	\$ 1,174,526	\$ 888,259
Contributions as a percentage of covered payroll	20.46%	20.39%	20.39%	20.44%
Tier 2 Defined Contribution Plan - Local Government:				
Contractually required contribution	\$ 25,492	\$ 21,385	\$ 12,739	\$ 14,728
Contributions in relation to the contractually required contribution	(25,492)	(21,385)	(12,739)	(14,728)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
UPD's covered payroll	\$ 381,041	\$ 319,662	\$ 193,674	\$ 222,178
Contributions as a percentage of covered payroll	6.69%	6.69%	6.58%	6.63%
Tier 2 Defined Contribution Plan - Public Safety:				
Contractually required contribution	\$ 44,325	\$ 38,257	\$ 26,406	\$ 8,887
Contributions in relation to the contractually required contribution	(44,325)	(38,257)	(26,406)	(8,887)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
UPD's covered payroll	\$ 456,018	\$ 393,595	\$ 271,663	\$ 91,428
Contributions as a percentage of covered payroll	9.72%	9.72%	9.72%	9.72%

UNIFIED POLICE DEPARTMENT
Notes to the Required Supplementary Information

Note A. Changes in Assumptions-Utah Retirement Systems

Amounts reported in plan year 2017 reflect the following assumption changes adopted from the January 1, 2017, valuation:

- The investment return assumption was decreased from 7.20% to 6.95%.
- The inflation assumption decreased from 2.60% to 2.50%.
- The life expectancy assumption increased for most groups.
- The wage inflation assumption decreased from 3.35% to 3.25%
- The payroll growth assumption decreased from 3.10% to 3.00%

Amounts reported in plan year 2016 reflect the following assumption changes adopted from the January 1, 2016, valuation:

- The investment return assumption was decreased from 7.50% to 7.20%.
- The inflation assumption decreased from 2.75% to 2.60%.
- With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015, valuation:

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

Note B. Schedules of District Contributions-Utah Retirement Systems

Contributions as a percentage of covered-employee payroll may be different from the Utah State Retirement Board certified rate due to rounding or other administrative issues. Required contributions from Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans are reported as contributions to the Tier 2 plans. The schedules present information for four plan and reporting years; prior-year information is not available.

Note C. Changes in Assumptions and Benefit Terms-OPEB Plan

Changes of benefit terms: Plan was amended effective May 31, 2017, to discontinue the benefit for active employees; the plan is only available to employees who retired on or before May 31, 2017.

Changes of assumptions: None.

Other Information

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:					
Cash and investments	\$ 9,821,522	\$ 10,749,581	\$ 12,030,412	\$ 13,173,887	\$ 11,675,944
Receivables	1,691,744	677,928	1,665,018	1,045,740	1,235,765
Prepaid items and deposits	572,507	421,892	671,239	533,825	1,119,697
Net state pension asset	18,945	13,521	25,000	27,634	-
Capital assets, net of accumulated depreciation					
Equipment	962,483	1,233,570	1,161,851	1,386,052	1,725,534
Vehicles	8,757,099	8,915,754	8,385,252	8,041,479	7,681,711
Total assets	<u>21,824,300</u>	<u>22,012,246</u>	<u>23,938,772</u>	<u>24,208,617</u>	<u>23,438,651</u>
Deferred outflows of resources:					
Related to state pensions	26,106,712	21,074,132	13,498,447	5,514,875	-
Liabilities:					
Accounts payable	852,280	1,696,597	1,578,130	1,815,737	1,525,016
Accrued salaries and related benefits	1,115,444	936,448	2,709,862	2,641,856	1,886,803
Long-term liabilities:					
Portion due or payable within one year	4,172,851	4,279,676	241,604	1,383,736	1,306,697
Portion due or payable after one year	22,586,984	28,407,001	34,498,393	27,931,683	10,408,117
Total liabilities	<u>28,727,558</u>	<u>35,319,722</u>	<u>39,027,989</u>	<u>33,773,012</u>	<u>15,126,633</u>
Deferred inflows of resources:					
Related to state pensions	10,566,656	3,086,544	2,043,242	2,107,001	-
Net position:					
Investment in capital assets	9,719,582	10,149,324	9,547,103	9,427,531	9,407,245
Restricted	-	-	30,000	30,000	30,000
Unrestricted (deficit)	<u>(1,082,784)</u>	<u>(5,469,212)</u>	<u>(13,211,115)</u>	<u>(15,614,052)</u>	<u>(1,125,227)</u>
Total net position	<u>\$ 8,636,798</u>	<u>\$ 4,680,112</u>	<u>\$ (3,634,012)</u>	<u>\$ (6,156,521)</u>	<u>\$ 8,312,018</u>

GASB Statements 68 and 71 were implemented in 2015, recording UPD's proportional share of net state pension liabilities.
GASB Statement 75 was implemented in 2017, recording UPD's total OPEB obligation.

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

Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses:					
Law enforcement services	\$ 69,977,784	\$ 73,271,138	\$ 66,557,699	\$ 64,047,186	\$ 66,243,867
Program revenues:					
Law enforcement services	<u>2,738,381</u>	<u>3,031,907</u>	<u>3,175,911</u>	<u>3,011,651</u>	<u>2,988,350</u>
Net (expense) revenue	(67,239,403)	(70,239,231)	(63,381,788)	(61,035,535)	(63,255,517)
General revenues:					
Member fees	70,905,442	68,478,073	65,588,354	63,304,031	60,554,308
Interest earnings	110,499	81,778	55,883	42,732	44,542
Contributions	40,530	81,405	74,433	47,758	52,250
Miscellaneous	<u>139,618</u>	<u>111,292</u>	<u>185,627</u>	<u>151,600</u>	<u>163,301</u>
Total general revenues	<u>71,196,089</u>	<u>68,752,548</u>	<u>65,904,297</u>	<u>63,546,121</u>	<u>60,814,401</u>
Special item:					
Adjustment to total OPEB obligation	<u>-</u>	<u>14,100,234</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	3,956,686	12,613,551	2,522,509	2,510,586	(2,441,116)
Net position - beginning	<u>4,680,112</u>	<u>(7,933,439)</u>	<u>(6,156,521)</u>	<u>(8,667,107)</u>	<u>10,753,134</u>
Net position - ending	<u>\$ 8,636,798</u>	<u>4,680,112</u>	<u>(3,634,012)</u>	<u>(6,156,521)</u>	<u>8,312,018</u>

UPD implemented GASB Statements 68 and 71 in 2015, restating and decreasing beginning net position by \$16,979,125 for 2015. UPD implemented GASB Statement 75 in 2017, restating and decreasing beginning net position by \$4,299,427. Also UPD changed its benefit terms during 2017, recording a special item to adjust the total OPEB obligation.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets:					
Cash and investments	\$ 7,527,699	\$ 8,556,137	\$ 9,089,940	\$ 9,805,402	\$ 8,001,063
Receivables:					
Local	1,465,073	471,465	1,362,173	707,026	1,030,187
State	92,569	114,153	128,373	187,840	105,092
Federal	134,102	92,310	166,177	142,579	92,191
Prepaid items and deposits	572,507	421,892	671,239	533,825	1,119,697
Total assets	<u>\$ 9,791,950</u>	<u>\$ 9,655,957</u>	<u>\$ 11,417,902</u>	<u>\$ 11,376,672</u>	<u>\$ 10,348,230</u>
Liabilities:					
Accounts and contracts payable	\$ 852,280	\$ 1,696,597	\$ 1,578,130	\$ 1,815,737	\$ 1,525,017
Accrued payroll and related benefits	1,115,444	936,448	2,709,862	2,641,856	1,886,803
Total liabilities	1,967,724	2,633,045	4,287,992	4,457,593	3,411,820
Fund balances:					
Nonspendable:					
Prepaid items and deposits	572,507	421,892	671,239	533,825	1,119,697
Restricted for:					
Forfeitures	-	-	-	-	152,942
Other purposes	-	-	30,000	30,000	30,000
Committed to:					
Compensated absences obligation	1,263,411	1,284,255	1,256,314	1,155,477	1,067,627
Self-insurance	850,000	847,238	750,000	750,000	750,000
Assigned to:					
Evidence	294,584	294,584	285,073	264,511	278,411
Forfeitures	457,274	353,235	276,781	225,828	-
Pager program	-	-	-	48,310	98,310
Unassigned	4,386,450	3,821,708	3,860,503	3,911,128	3,439,423
Total fund balances	<u>7,824,226</u>	<u>7,022,912</u>	<u>7,129,910</u>	<u>6,919,079</u>	<u>6,936,410</u>
Total liabilities and fund balances	<u>\$ 9,791,950</u>	<u>\$ 9,655,957</u>	<u>\$ 11,417,902</u>	<u>\$ 11,376,672</u>	<u>\$ 10,348,230</u>
Unassigned fund balance as a percent of general fund expenditures	6.0%	5.3%	5.6%	5.9%	5.4%

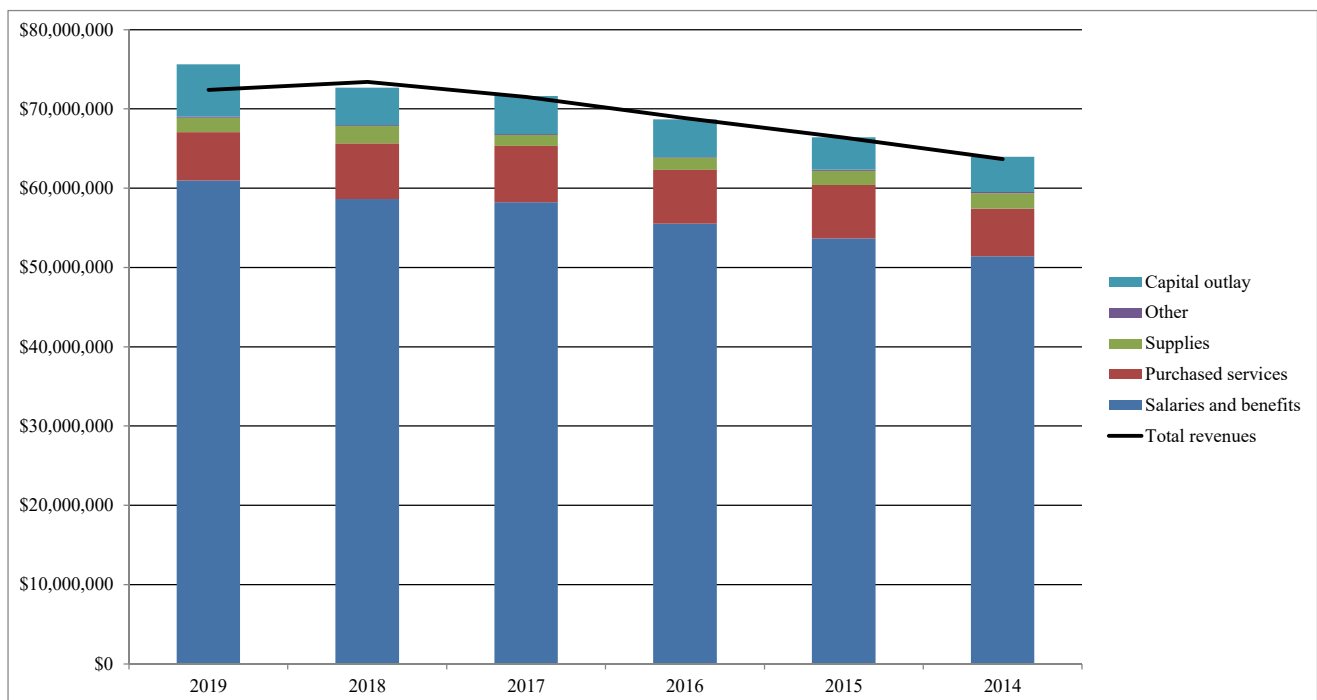
UNIFIED POLICE DEPARTMENT

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Modified Accrual Basis)

Last Five Fiscal Years with Anticipated Budget for 2019

	Anticipated Budget 2019	2018	2017	2016	2015	2014
Revenues:						
Member fees for law enforcement services	\$ 68,563,480	\$ 70,432,827	\$ 68,224,340	\$ 65,433,290	\$ 63,148,957	\$ 60,452,184
Licenses and fees	931,618	346,053	818,352	1,025,142	1,096,175	998,427
Other services	1,893,841	1,079,454	1,046,985	1,022,011	1,072,899	1,086,143
State awards	178,757	400,734	503,505	404,784	193,083	172,603
Federal awards	462,606	893,163	605,826	630,485	616,416	702,275
Forfeitures	10,200	18,977	57,239	93,489	33,078	28,902
Interest earnings	130,000	110,499	81,778	55,883	42,732	44,542
Contributions	20,200	40,530	81,405	55,501	43,810	52,250
Other	220,000	101,934	98,492	118,807	146,510	129,843
Total revenues	72,410,702	73,424,171	71,517,922	68,839,392	66,393,660	63,667,169
Expenditures:						
Current:						
Law enforcement services:						
Salaries and employee benefits	60,962,542	58,619,019	58,243,578	55,532,705	53,654,291	51,394,323
Purchased services	6,100,636	7,014,732	7,096,781	6,789,781	6,762,096	6,008,988
Supplies	1,827,810	2,193,635	1,366,209	1,499,278	1,780,127	1,966,016
Other	147,016	117,507	124,277	92,712	152,792	157,612
Capital outlay	6,579,321	4,715,648	4,809,807	4,780,905	4,066,775	4,430,029
Total expenditures	75,617,325	72,660,541	71,640,652	68,695,381	66,416,081	63,956,968
Excess (deficiency) of revenues over (under) expenditures	(3,206,623)	763,630	(122,730)	144,011	(22,421)	(289,799)
Other financing sources (uses):						
Proceeds from sale of capital assets	15,100	37,684	15,732	66,820	5,090	33,458
Net change in fund balances	(3,191,523)	801,314	(106,998)	210,831	(17,331)	(256,341)
Fund Balances - Beginning	7,824,226	7,022,912	7,129,910	6,919,079	6,936,410	7,192,751
Fund Balances - Ending	\$ 4,632,703	\$ 7,824,226	\$ 7,022,912	\$ 7,129,910	\$ 6,919,079	\$ 6,936,410



Notes:

The 2019 anticipated budget is from the proposed budget approved by the Board in June 2018.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenditures by Cost Center:					
Administration	\$ 6,192,104	\$ 7,050,604	\$ 5,627,847	\$ 5,655,354	\$ 4,912,205
County direct	9,520,609	9,601,479	9,191,950	8,702,506	8,723,632
Insurance	2,094,241	2,025,386	2,091,482	1,928,311	1,844,219
Precinct direct	36,184,876	34,971,910	33,954,567	33,832,837	33,065,955
Shared services	18,668,711	17,991,273	17,829,535	16,297,073	15,410,957
Total expenditures	<u>\$ 72,660,541</u>	<u>\$ 71,640,652</u>	<u>\$ 68,695,381</u>	<u>\$ 66,416,081</u>	<u>\$ 63,956,968</u>

