

**SALT LAKE VALLEY
LAW ENFORCEMENT SERVICE AREA**

**Basic Financial Statements
and
Independent Auditor's Report**

Year Ended December 31, 2019

HBME

CERTIFIED PUBLIC ACCOUNTANTS

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA

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**CERTIFIED PUBLIC
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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Salt Lake Valley Law Enforcement Service Area
Salt Lake City, Utah

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of Salt Lake Valley Law Enforcement Service Area (SLVLESA), as of and for the year ended December 31, 2019, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 SLVLESA'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 SLVLESA'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 and the general fund of Salt Lake Valley Law Enforcement Service Area as of December 31, 2019, and the respective changes in financial position 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 Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2020 on our consideration of SLVLESA'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 SLVLESA's internal control over financial reporting and compliance.

HBMC, LLC

May 11, 2020

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Management's Discussion and Analysis
December 31, 2019 and 2018

As management of the Salt Lake Valley Law Enforcement Service Area (SLVLESA), we offer readers of SLVLESA's financial statements this narrative discussion, overview, and analysis of the financial activities of SLVLESA for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

- SLVLESA's net position for governmental activities increased \$1.1 million during 2019 resulting in a net position of \$5.5 million at December 31, 2019.
- During 2019, SLVLESA issued tax and revenue anticipation notes totaling \$7.5 million. The notes were issued on April 9, 2019 and were repaid December 30, 2019.
- Service fees paid to the Unified Police Department (UPD) totaled \$16.5 million in 2019 compared to \$15.7 million in 2018. This increase reflects cost of living and market adjustments for sworn officers.
- SLVLESA capital purchases in 2019 consisted of a roof replacement for the Magna precinct building.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SLVLESA's basic financial statements, which are comprised of the government-wide and fund financial statements and related notes to the basic financial statements.

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

The *statement of net position* presents information on all the assets and liabilities of SLVLESA, with the difference 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 SLVLESA is improving or deteriorating.

The *statement of activities* presents information showing how the net position of SLVLESA 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 result in cash flows in future fiscal periods (e.g., property taxes receivable).

The government-wide financial statements can be found on pages 8 and 9 of this report.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

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. SLVLESA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general fund of SLVLESA is reported as a governmental fund.

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

SLVLESA maintains only one individual governmental fund, the general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund.

SLVLESA 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 10 through 14 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 financial statements. The notes to the basic financial statements can be found on pages 15 through 21 of this report.

The Salt Lake Valley Law Enforcement Service Area is a component unit of the Unified Police Department of Greater Salt Lake.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Assets exceeded liabilities by \$5.5 million at December 31, 2019.

A portion of SLVLESA's net position reflects its net investment in capital assets. The remaining balance of net position is unrestricted. Unrestricted net position may be used to meet SLVLESA's ongoing obligations to UPD, creditors, and the next year's budget.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Net Position
December 31, 2019 and 2018

	Governmental Activities		Total Change
	2019	2018	2019-2018
Current assets	\$ 5,283,307	\$ 4,302,384	\$ 980,923
Capital assets	320,941	302,312	18,629
Total assets	<u>5,604,248</u>	<u>4,604,696</u>	<u>999,552</u>
Current liabilities	85,670	185,587	(99,917)
Long-term liabilities	-	-	-
Total liabilities	<u>85,670</u>	<u>185,587</u>	<u>(99,917)</u>
Net position:			
Net investment in capital assets	330,245	302,312	27,933
Unrestricted	5,188,333	4,116,797	1,071,536
Total net position	<u><u>\$ 5,518,578</u></u>	<u><u>\$ 4,419,109</u></u>	<u><u>\$ 1,099,469</u></u>

Governmental Activities – The key elements of the increase of SLVLESA’s net position for the year ended December 31, 2019 are as follows:

- Revenues totaled \$17.9 million for the year ended December 31, 2019. Property tax revenue comprises most of SLVLESA’s revenues for the years ended December 31, 2019 and 2018. These revenues were used to fund law enforcement services provided by the Unified Police Department.
- Total expenses decreased from the prior year by \$4.2 million, bringing current year expenses to \$16.8 million.
- The \$4.2 million decrease in expenses is the net result of two major factors; 1) a one-time payout of \$5 million to departing member cities during 2018; and 2) current year expenses for law enforcement services increased by \$874 thousand which included a 2% cost of living adjustment and a 4% market adjustment for sworn officers salaries.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	Governmental Activities		Total Change
	2019	2018	2019-2018
Revenues:			
Property taxes	\$ 17,692,383	\$ 17,783,931	\$ (91,548)
Lease revenue	36,000	-	36,000
Interest earned	136,659	140,615	(3,956)
Total revenues	<u>17,865,042</u>	<u>17,924,546</u>	<u>(59,504)</u>
Expenses:			
Law enforcement fees	16,532,076	15,685,883	846,193
Refund of property taxes to withdrawn member	-	4,979,004	(4,979,004)
Professional fees	52,288	191,293	(139,005)
Debt service:			
Interest on tax anticipation notes	147,822	123,106	24,716
Depreciation	9,304	-	9,304
Other	24,083	10,107	13,976
Total expenses	<u>16,765,573</u>	<u>20,989,393</u>	<u>(4,223,820)</u>
Change in net position	1,099,469	(3,064,847)	4,164,316
Net position, beginning of year	<u>4,419,109</u>	<u>7,483,956</u>	<u>(3,064,847)</u>
Net position, end of year	<u>\$ 5,518,578</u>	<u>\$ 4,419,109</u>	<u>\$ 1,099,469</u>

GOVERNMENTAL FUND FINANCIAL ANALYSIS

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

Governmental Fund – The focus of SLVLESA’s general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SLVLESA’s financing requirements. At December 31, 2019, SLVLESA’s general fund reported a fund balance of \$5.2 million. The following information on revenues and expenditures should be noted:

- Revenues totaled \$17.9 million, which is a decrease of 1.9% compared to the prior year. Property taxes totaled \$17.7 million or 99.0% of total revenues.
- Expenditures totaled \$16.8 million for the year, which is a decrease of 21.2% compared to the prior year; \$16.6 million or 98.7% was paid to the Unified Police Department. The remaining \$224,200 was used to cover cost of issuance and interest on SLVLESA’s tax and revenue anticipation notes and general administrative functions.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Management's Discussion and Analysis (Continued)
December 31, 2019 and 2018

Governmental Fund (Continued)

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, committed, assigned, and unassigned. *Nonspendable* fund balance includes prepaids, inventories, and other amounts that cannot be spent because of their form. *Restricted* fund balance includes fund resources that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. *Committed* fund balance are those resources that the Board of Trustees has established by formal action for specific purposes. *Assigned* balance are fund resources that management intends to be used for specific purposes. *Unassigned* balance is the sum of all other available net fund resources. At December 31, 2019, SLVLESA's governmental fund balance was \$5.2 million, all of which is categorized as unassigned.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – In November 2018, the Board purchased the building that has historically been leased by UPD for the Magna Precinct. The 2018 purchase price of the building was \$302,312, which the Board acquired using cash on hand. The building is the only capital asset owned by SLVLESA.

Additional information on SLVLESA's capital asset activity can be found in Note 5 to the basic financial statements.

Debt Administration – During 2019, SLVLESA issued tax and revenue anticipation notes for \$7.5 million. The notes were repaid in December 2019, when the majority of property tax revenue was received. The purpose of the notes was to provide cash flow necessary to fund law enforcement services until the 2019 property tax revenue was received.

Additional information on SLVLESA's debt activity can be found in Note 6 to the basic financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

SLVLESA amended its budget during the calendar year as needed. Budget amendments were approved for one additional officer in each of the Kearns and Magna precincts and for a roof replacement at the Magna precinct building.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the Salt Lake Valley Law Enforcement Service Area and to demonstrate SLVLESA's accountability for public funds it is entrusted with. If you have questions about this report or need additional financial information, contact the Chief Financial Officer or Deputy Treasurer for Salt Lake Valley Law Enforcement Service Area, at 3365 South 900 West, Suite 121, Salt Lake City, Utah 84119.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Statement of Net Position
December 31, 2019

	Primary Government Governmental Activities <hr style="border-top: 1px solid black;"/>
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 5,265,307
Accounts receivable	18,000
	5,283,307
Total current assets	5,283,307
Capital assets	320,941
	5,604,248
Total assets	5,604,248
<u>LIABILITIES</u>	
Liabilities:	
Accounts payable	85,670
	85,670
<u>NET POSITION</u>	
Net investment in capital assets	330,245
Unrestricted	5,188,333
	5,518,578
Total net position	\$ 5,518,578

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

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Statement of Activities
For the Year Ended December 31, 2019

	Program Revenues			Net (Expense) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Functions / Programs				
Primary Governmental:				
Governmental activities				
General government	\$ 16,617,751	\$ -	\$ -	\$ (16,617,751)
Interest and fiscal charges on long-term debt	147,822	-	-	(147,822)
Total governmental activities	<u>\$ 16,765,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(16,765,573)</u>
General Revenues:				
Taxes:				
Property taxes				17,130,640
Fee in lieu of taxes				561,743
Lease revenue				36,000
Investment earnings				136,659
Total general revenues				17,865,042
Change in net position				1,099,469
Net position - beginning				4,419,109
Net position - ending				\$ 5,518,578

The accompanying notes are an integral part of these financial statements.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Balance Sheet – Governmental Fund
December 31, 2019

	Governmental Fund Types
	General
<u>ASSETS</u>	
Cash and investments	\$ 5,265,307
Receivables	
Property taxes	18,000
Total assets	\$ 5,283,307
<u>LIABILITIES</u>	
Accounts payable	\$ 85,670
<u>FUND BALANCE</u>	
Unassigned	5,197,637
Total fund balances	5,197,637
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,283,307

The accompanying notes are an integral part of these financial statements.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Reconciliation of the Balance Sheet of the Governmental Fund to the
Statement of Net Position
December 31, 2019

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

Total fund balances - total governmental funds (page 10)	\$ 5,197,637
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the general fund.	<u>320,941</u>
Net position - governmental activities (page 9)	<u><u>\$ 5,518,578</u></u>

The accompanying notes are an integral part of these financial statements.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Statement of Revenues, Expenditures, and Change in Fund Balance –
Governmental Fund
For the Year Ended December 31, 2019

	Governmental Fund Types
	General
<u>REVENUES</u>	
Property taxes	\$ 17,130,640
Fee in lieu of taxes	561,743
Lease revenue	36,000
Interest on investments	136,659
	17,865,042
Total revenues	17,865,042
<u>EXPENDITURES</u>	
General government:	
Law enforcement fees	16,532,076
Professional fees	52,288
Other	24,083
Capital outlay	
General government	27,933
Debt service:	
Interest and fiscal agent fees	147,822
	16,784,202
Total expenditures	16,784,202
Excess of revenues over expenditures	1,080,840
Fund balance, beginning of year	4,116,797
Fund balance, end of year	\$ 5,197,637

The accompanying notes are an integral part of these financial statements.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Reconciliation of the Statement of Revenues, Expenditures, and
Change in Fund Balance of the Governmental Fund to the
Statement of Activities
For the Year Ended December 31, 2019

Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances - total governmental funds (page 12)	\$ 1,080,840
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current year depreciation expense	(9,304)
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Change in net position of governmental activities (page 9)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,099,469</td> </tr> </table>	\$ 1,099,469
\$ 1,099,469		

The accompanying notes are an integral part of these financial statements.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Statement of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual
General Fund
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<u>REVENUES</u>				
Property taxes	\$ 17,559,886	\$ 17,250,130	\$ 17,130,640	\$ (119,490)
Fee in lieu of taxes	766,345	766,345	561,743	(204,602)
Lease revenue	36,000	36,000	36,000	-
Interest on investments	45,000	45,000	136,659	91,659
Total revenues	<u>18,407,231</u>	<u>18,097,475</u>	<u>17,865,042</u>	<u>(232,433)</u>
<u>EXPENDITURES</u>				
General government:				
Law enforcement fees	16,510,651	16,764,651	16,532,076	232,575
Professional fees	130,000	130,000	52,288	77,712
Other	46,000	46,500	24,083	22,417
Capital outlay				
General government	700,000	754,500	27,933	726,567
Debt service:				
Interest and fiscal agent fees	188,000	188,000	147,822	40,178
Total expenditures	<u>17,574,651</u>	<u>17,883,651</u>	<u>16,784,202</u>	<u>1,099,449</u>
Net change in fund balances	<u>\$ 832,580</u>	<u>\$ 213,824</u>	1,080,840	<u>\$ 867,016</u>
Fund balances, beginning of year			<u>4,116,797</u>	
Fund balances, end of year			<u>\$ 5,197,637</u>	

The accompanying notes are an integral part of these financial statements.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to the Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Salt Lake Valley Law Enforcement Service Area (SLVLESA) conform 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 SLVLESA.

The Reporting Entity – SLVLESA was formed on September 8, 2009, to provide funding for law enforcement services to the unincorporated areas of Salt Lake County, participating member cities, and townships. Law enforcement services are provided by the Unified Police Department (UPD). SLVLESA began its operations on January 1, 2010.

The Board of Trustees is the primary governing authority for SLVLESA. As of December 31, 2019, the Board was comprised of ; an elected official from each of the following metro townships: Kearns, Magna, Emigration Canyon, White City, and Copperton; and three members from the Salt Lake County Council. The Board approves the budget, establishes policies, and appoints officials with responsibilities for administering all activities and fiscal matters of SLVLESA.

Government-wide Financial Statements – The *statement of net position* and the *statement of activities* report all information on the activities of SLVLESA.

Fund Financial Statements – The fund financial statements provide information about SLVLESA’s general fund, a major governmental fund. It accounts for all financial resources of SLVLESA’s general operations.

Measurement Focus and Basis of Accounting – The government-wide 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. SLVLESA considers revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. All property taxes and interest pertaining to the current year are accrued and reported in the financial statements. Other receipts become measurable and available when cash is received by SLVLESA and are recognized as revenue at that time. Expenditures are recorded when the related fund liability matures or is paid.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to the Financial Statements (Continued)
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting – SLVLESA operates within budget requirements as specified by Utah law. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America using the modified accrual basis of accounting for the general fund. All annual appropriations lapse at fiscal year-end. These financial reports reflect the following budgetary standards:

- For the fiscal year beginning January 1, the fiscal officer prepares a proposed budget for the general fund which is presented to the Board of Trustees on or before November 1.
- After a public hearing is held, the Board of Trustees, by resolution, legally adopts the final budget no later than December 31.
- Once adopted, the budget can be amended by subsequent Board action. Reductions in appropriations can be approved by the Board upon recommendation of the fiscal officer; however, increases in appropriations at the overall fund level require a public hearing prior to amending the budget. In accordance with Utah State law and with Board policy, administration may make interim adjustments from one appropriation (at the program, function, or object level) to another within the general fund without seeking the immediate approval of the Board. The Board approves these changes later in the year.
- The total budgeted expenditures of the general fund may not exceed the expected revenues for the fiscal year plus the budgetary use of fund balance. Budgetary control is exercised at the overall fund level.
- Interim adjustments in estimated revenues and appropriations during the year ended December 31, 2019, are included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed appropriations at the activity or departmental level.

Capital Assets – SLVLESA defines capital assets as assets with an initial, individual cost of \$100,000; such assets are reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are expensed rather than capitalized. Capital outlays for assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Depreciation is applied using the straight-line method over the asset's estimated useful life.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenues) in the current year.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to the Financial Statements (Continued)
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The governmental fund financial statements present 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 SLVLESA is bound to honor them. SLVLESA first determines and reports nonspendable balances, then restricted, then committed, then assigned, with the remainder being reported as unassigned.

The categories and descriptions of fund balance are as follows:

- **Nonspendable Fund Balance** – Prepaid expenditures, and other similar assets not in spendable form or that are contractually required to be maintained intact are classified as nonspendable fund balance.
- **Restricted Fund Balance** – Assets that are constrained by externally imposed restrictions, or by law through constitutional provisions or enabling legislation are classified as restricted fund balance.
- **Committed Fund Balance** – Amounts formally designated by Board through formal action for a specific purpose that cannot be used for another purpose unless the Board formally changes the use through a superseding action are classified as committed fund balance.
- **Assigned Fund Balance** – Amounts constrained by the Board, for a specific purpose, through the appropriations process in establishing and amending budgets are classified as assigned fund balance.
- **Unassigned Fund Balance** – Amounts that may be used for any governmental purpose are classified as unassigned fund balance.

Net Position/Fund Balance Flow Assumption – Sometimes SLVLESA 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.

- **Net Position** – It is SLVLESA’s policy to consider restricted net position to have been depleted before unrestricted net position.
- **Fund Balance** – 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.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to the Financial Statements (Continued)
December 31, 2019

2. DEPOSITS AND INVESTMENTS

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

The Act's 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. SLVLESA considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits – Amounts held in a financial institution occasionally are in excess of federal depository insurance limits. No deposits are collateralized, nor are they required by state statute to be collateralized.

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. SLVLESA does not have a formal deposit policy for custodial credit risk other than to comply with the Act.

Investments – At December 31, 2019, SLVLESA had \$4.7 million invested in 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 investment-grade corporate notes held by the Utah State Treasurer. At December 31, 2019, the portfolio has a weighted average maturity of fifty days. The PTIF is not rated.

- **Credit Risk** – Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. SLVLESA's policy for limiting the credit risk of investments is to comply with the Act.
- **Interest Rate Risk** – Interest rate risk is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. SLVLESA manages its exposure to declines in fair value by investing in the PTIF and by adhering to the Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to the Financial Statements (Continued)
December 31, 2019

2. DEPOSITS AND INVESTMENTS (CONTINUED)

- **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. SLVLESA’s policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of SLVLESA’s total portfolio with a single issuer. SLVLESA places no other limits on the amount it may invest in any one issuer.
- **Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, SLVLESA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. SLVLESA’s investment policy is to follow the Act and to invest in the PTIF. SLVLESA’s investment policy does not limit the amount that can be held by counterparties.

3. FAIR VALUE MEASUREMENTS

SLVLESA 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.

SLVLESA has the following recurring fair value measurements as of December 31, 2019: Public Treasurers’ Investment Fund of \$4.7 million is valued at SLVLESA’s position in the PTIF multiplied by the published fair value factor (level 2 inputs).

4. PROPERTY TAXES

The property tax revenue of SLVLESA is collected and distributed by the Salt Lake County (the County) treasurer as an agent of SLVLESA. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 (the legal lien date) and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the county board of equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the County auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2.5% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 31 of the following year, delinquent taxes, including penalties, are subject to an interest charge; the interest period is from January 1 until date paid.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to the Financial Statements (Continued)
December 31, 2019

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets being depreciated:				
Buildings	\$ 302,312	\$ 27,933	\$ -	\$ 330,245
	<u>302,312</u>	<u>27,933</u>	<u>-</u>	<u>330,245</u>
Accumulated depreciation for:				
Buildings	-	9,304	-	9,304
	<u>-</u>	<u>9,304</u>	<u>-</u>	<u>9,304</u>
Total capital assets being depreciated, net	<u>\$ 302,312</u>	<u>\$ 37,237</u>	<u>\$ -</u>	<u>\$ 320,941</u>

6. TAX AND REVENUE ANTICIPATION NOTES

On April 9, 2019, SLVLESA issued Tax and Revenue Anticipation Note, Series 2019 in the amount of \$7.5 million with an interest rate of 2.24%. The purpose of the note was to provide necessary cash flows to fund law enforcement services in anticipation of 2019 property tax revenue.

Proceeds from both issues were invested in the PTIF, which generated interest earnings of \$91,481. The interest expense and issuance costs paid on the TRANs totaled \$137,800, for a net expense from borrowing of \$46,319. Additionally, a tax penalty was paid in 2019 related to the Tax and Revenue Anticipation Note, Series 2018A, for \$10,022.

7. COMPONENT UNIT

SLVLESA's primary and sole purpose is for the support and funding of the UPD, through collecting and remitting property taxes that are used to fund the operations of the UPD. SLVLESA was created because the UPD cannot legally assess a property tax. Management believes this relationship requires that SLVLESA be included as a component unit in the financial statements of the UPD for the year ended June 30, 2020. The financial statements of the UPD can be obtained by contacting management of the UPD.

8. PENSION OBLIGATION

All administrative, fiscal, and clerical functions of SLVLESA are performed by contract with UPD. As such, SLVLESA has no employees and thus has no pension obligations.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to the Financial Statements (Continued)
December 31, 2019

9. SUBSEQUENT EVENTS

On April 9, 2020, SLVLESA issued Tax and Revenue Anticipation Notes, Series 2020, in the amount of \$8 million. The interest rate on this note is 1.35% per annum and will be repaid during the year ending December 31, 2020, from anticipated property tax revenue collections.

COMPLIANCE SECTION



COMMITTED. EXPERIENCED. TRUSTED

CERTIFIED PUBLIC ACCOUNTANTS

- E. LYNN HANSEN, CPA
- CLARKE R. BRADSHAW, CPA
- GARY E. MALMROSE, CPA
- EDWIN L. ERICKSON, CPA
- MICHAEL L. SMITH, CPA
- JASON L. TANNER, CPA
- ROBERT D. WOOD, CPA
- AARON R. HIXSON, CPA
- TED C. GARDINER, CPA
- JEFFREY B. MILES, CPA
- SHAWN F. MARTIN, CPA

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

Board of Trustees
Salt Lake Valley Law Enforcement Service Area

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Salt Lake Valley Law Enforcement Service Area (SLVLESA) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise SLVLESA’s basic financial statements, and have issued our report thereon dated May 11, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SLVLESA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

HBMC, LLC

May 11, 2020



COMMITTED. EXPERIENCED. TRUSTED

CERTIFIED PUBLIC ACCOUNTANTS

- E. LYNN HANSEN, CPA
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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROLS OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

Board of Trustees
Salt Lake Valley Law Enforcement Service Area

Report on Compliance with General State Compliance Requirements

We have audited Salt Lake Valley Law Enforcement Service Area’s (SLVLESA) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on SLVLESA for the year ended December 31, 2019.

State compliance requirements were tested for the year ended December 31, 2019 in the following areas:

- | | |
|---------------------------------------|-----------------|
| Budgetary Compliance | Fund Balance |
| Open and Public Meetings Act | Cash Management |
| Public Treasurer’s Bond | |
| Restricted Taxes and Related Revenues | |

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Compliance

In our opinion SLVLESA complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying Schedule of Findings and Responses as item 2019-1. Our opinion on compliance is not modified with respect to this matter.

Management's Response

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

ABMC, LLC

May 11, 2020

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Schedule of Findings and Responses
December 31, 2019

State Compliance Finding

Requirement/Program

Current Year Findings

2019-1

Open and Public
Meetings Act

Finding: *Utah Code Section 52-4-104*, states that members of the board of the District shall be provided with annual training on the requirements of open and public meetings. We noted that some District's board members were not provided with this annual training in fiscal year 2019 as required.

Recommendation: We recommend the Board be provided and receive annual training on how to conduct open and public meetings in accordance with the *State Compliance Audit Guide*.

Management's Response: We agree with the recommendation and will ensure that the Board Members be provided with annual training on the requirements of the Open and Public Meetings Act as required by the *State Compliance Audit Guide*. We can represent that all current Board Members comply with the Open and Public Meetings Act requirements for calendar year 2020.