

SALT LAKE VALLEY
LAW ENFORCEMENT SERVICE AREA
(A Component Unit of Salt Lake County, Utah)

Basic Financial Statements
and Reports in Accordance with
Government Auditing Standards and the
State of Utah Legal Compliance Audit Guide

Year Ended December 31, 2012

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Independent Auditor's Report

Board of Trustees
Salt Lake Valley Law Enforcement Service Area
(A component unit of Salt Lake County, Utah)

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Salt Lake Valley Law Enforcement Service Area (SLVLESA), a component unit of Salt Lake County, Utah, as of and for the year ended December 31, 2012, and the related notes to the basic financial statements, which collectively comprise SLVLESA'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of Salt Lake Valley Law Enforcement Service Area as of December 31, 2012, and the respective changes in financial position 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 management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013, 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.



Orem, Utah
May 24, 2013

Management's Discussion and Analysis

As management of 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, 2012. 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 by \$1.3 million during 2012 resulting in a net position of \$4.9 million at December 31, 2012.
- Effective January 1, 2012, SLVLESA eliminated the public safety fee. SLVLESA unanimously adopted a plan to replace the public safety fee with a property tax levy. The levy also replaced the intergovernmental revenue from Salt Lake County. The levy was adopted during 2012 and revenue from property taxes totaled \$29.0 million during 2012.
- During 2012, SLVLESA issued two tax anticipation notes for \$17.0 and \$4.0 million, respectively. The notes were paid off in 2012.
- Service fees paid to Unified Police Department totaled \$27.7 million in 2012 compared to \$20.7 million in 2011. This increase reflects new member cities being served by Unified Police Department.
- Riverton and Herriman Cities joined SLVLESA effective January 1, 2012 with each making a member contribution.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SLVLESA's basic financial statements. SLVLESA's basic financial statements comprise 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 of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 only result in cash flows in future fiscal periods (e.g., receivables).

The government-wide financial statements can be found on pages 8 and 9 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. 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 grouped 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 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.

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 8 through 10 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 11 through 14 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 SLVLESA, assets exceeded liabilities by \$4.9 million at the close of the most recent fiscal year.

SLVLESA’s net position is unrestricted. Unrestricted net position may be used to meet SLVLESA’s ongoing obligations to members of Salt Lake County, Unified Police Department, creditors, and to honor next year’s budget.

**SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA Net Position
December 31, 2012 and 2011**

	Governmental Activities		Total Change
	2012	2011	2012-2011
Current assets	\$ 4,918,986	\$ 3,580,634	\$ 1,338,352
Current liabilities	66,900	1,541	65,359
Net position:			
Unrestricted	\$ 4,852,086	\$ 3,579,093	\$ 1,272,993

Governmental activities – The key elements of the increase of SLVLESA’s net position for the year ended December 31, 2012 are as follows:

- Revenues totaled \$29.4 million for the year ended December 31, 2012, which is an increase of \$5.9 million over the prior year. The largest net dollar increase in revenues is from property taxes and the two largest net dollar decreases in revenues are from the public safety fees and intergovernmental. The \$29.0 million increase in property taxes, the \$12.4 million decrease in intergovernmental, and the \$11.0 million decrease in public safety fees are due to the public safety fees and intergovernmental revenue being replaced with a

tax levy effective January 1, 2012. The next largest net dollar increase in revenues is from member contributions of \$0.3 million resulting from Riverton and Herriman Cities joining SLVLESA during 2012.

- Total expenses increased from the prior year by \$7.0 million, bringing current year expenses to \$28.1 million. An increase in service fees to Unified Police Department of \$7.0 million is the largest net dollar increase due to new member cities being served by the Unified Police Department. The next largest net dollar increase is \$0.2 million of interest paid on tax anticipation notes. The notes payable were needed to continue to fund law enforcement services until the property tax revenue was available. The largest net dollar decrease is \$0.2 million in professional fees due to eliminating the public safety fees.
- Property tax revenue comprises 99 percent of SLVLESA’s revenues for the year ended December 31, 2012 and public safety fees and intergovernmental revenues comprise 47 and 53 percent of SLVLESA’s revenues for the year ended December 31, 2011. These revenues are used to fund law enforcement services provided by Unified Police Department.

**SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA Changes in Net Position
Year Ended December 31, 2012 and 2011**

	Governmental Activities		Total
	2012	2011	Change 2012-2011
Revenues:			
Public safety fees	\$ -	\$ 11,010,404	\$ (11,010,404)
Property taxes	28,997,580	-	28,997,580
Intergovernmental from Salt Lake County	-	12,424,117	(12,424,117)
Member contributions	305,291	-	305,291
Interest earned	54,912	8,591	46,321
Total revenues	29,357,783	23,443,112	5,914,671
Expenses:			
Service fees to Unified Police Department	27,710,032	20,683,027	7,027,005
Professional fees	190,136	365,192	(175,056)
Debt service - interest on tax anticipation notes	184,303	-	184,303
Other	319	4,927	(4,608)
Total expenditures	28,084,790	21,053,146	7,031,644
Changes in net assets	1,272,993	2,389,966	(1,116,973)
Net position, beginning	3,579,093	1,189,127	2,389,966
Net position, ending	\$ 4,852,086	\$ 3,579,093	\$ 1,272,993

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, 2012, SLVLESA’s general fund reported a fund balance of \$4.2 million. The following information on revenues and expenditures should be noted:

- Revenues totaled \$29.0 million, which is an increase over the prior year of 19 percent. Property taxes totaled \$28.5 million of total revenues or 98 percent. Public safety fees (fees charged to property owners) totaled \$0.2 million and no intergovernmental revenue was recognized with the adoption of the tax levy.
- Expenditures totaled \$28.1 million for the year, which is an increase over the prior year of 25 percent; \$27.7 million or 99 percent was paid to Unified Police Department. The remaining percent was used to cover general administrative expenses including assessment and collection of fees, public hearings and education, and other administrative activities.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into restricted and unrestricted portions. *Restricted* includes net fund resources of SLVLESA 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 in the general fund are those resources that the Board of Trustees has established by formal action for specific purposes. *Assigned* balances in the general fund are resources that management intends to be used for specific purposes. *Unassigned* balances in the general fund are all other available net fund resources. At December 31, 2012, SLVLESA’s governmental fund balance is \$4.2 million, all of which is unassigned.

DEBT ADMINISTRATION

During 2012, SLVLESA issued two tax anticipation notes for \$17.0 and \$4.0 million, respectively. The notes were paid off in 2012 when property tax revenue was collected. The purpose of the notes was to fund law enforcement services provided by Unified Police Department.

Additional information on SLVLESA’s notes payable can be found in Note 4 to the basic financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, the Board revised SLVLESA’s budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$0.4 million in total general fund budgeted revenues, mostly to account for member contributions and collection of delinquent public safety fees.

Final budgeted expenditures were more than original budgetary estimates by \$0.3 million, mostly to account for increased service fees to Unified Police Department to cover additional personnel costs.

With these adjustments, actual expenditures were \$0.1 million less than final budgeted amounts. The most significant positive variance was \$0.1 million in debt service – interest on tax anticipation notes. Actual revenues were \$1.4 million less than final budgeted amounts due to fewer property taxes being collected than assessed.

REQUESTS FOR INFORMATION

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

Basic Financial Statements

Salt Lake Valley Law Enforcement Service Area
Balance Sheet
December 31, 2012

	General Fund	Adjustments (1)	Statement of Net Position
Assets:			
Cash	\$ 2,499,885	\$ -	\$ 2,499,885
Receivables, net	2,419,101	-	2,419,101
Total assets	<u>\$ 4,918,986</u>	<u>\$ -</u>	<u>\$ 4,918,986</u>
Liabilities:			
Accounts payable	\$ 66,900	\$ -	\$ 66,900
Deferred Inflows of Resources:			
Unavailable property taxes	537,703	(537,703)	-
Unavailable public safety fees	90,225	(90,225)	-
Total deferred inflows of resources	627,928	(627,928)	-
Fund Balance / Net Position:			
Unassigned / unrestricted	4,224,158	627,928	4,852,086
Total liabilities, deferred inflows of resources, and fund balance / net position	<u>\$ 4,918,986</u>	<u>\$ -</u>	<u>\$ 4,918,986</u>

(1) Governmental funds report revenue when it is available. For the statement of net position, revenues are recognized when taxes and fees are assessed.

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

Salt Lake Valley Law Enforcement Service Area
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended December 31, 2012

	General Fund	Adjustments (1)	Statement of Activities
Revenues:			
Public safety fees	\$ 224,910	\$ (224,910)	\$ -
Property taxes	28,459,877	537,703	28,997,580
Member contributions	305,291	-	305,291
Interest earnings	54,912	-	54,912
Total revenues	29,044,990	312,793	29,357,783
Expenditures / Expenses:			
Service fees to Unified Police Department	27,710,032	-	27,710,032
Professional fees	190,136	-	190,136
Debt service - interest on tax anticipation notes	184,303	-	184,303
Other	319	-	319
Total expenditures / expenses	28,084,790	-	28,084,790
Net change in fund balance / net assets	960,200	312,793	1,272,993
Fund Balance / Net Position - December 31, 2011	3,263,958	315,135	3,579,093
Fund Balance / Net Position - December 31, 2012	<u>\$ 4,224,158</u>	<u>\$ 627,928</u>	<u>\$ 4,852,086</u>

(1) Governmental funds report revenue when it is available. For the statement of activities, revenues are recognized when taxes and fees are assessed.

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

Salt Lake Valley Law Enforcement Service Area
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Public safety fees	\$ -	\$ 300,000	\$ 224,910	\$ (75,090)
Property taxes	30,005,000	29,800,000	28,459,877	(1,340,123)
Member contributions	-	305,291	305,291	-
Interest earnings	20,000	45,000	54,912	9,912
Total revenues	<u>30,025,000</u>	<u>30,450,291</u>	<u>29,044,990</u>	<u>(1,405,301)</u>
Expenditures:				
Service fees to Unified Police Department	27,292,293	27,710,032	27,710,032	-
Professional fees	310,000	250,000	190,136	59,864
Debt service - interest on tax anticipation notes	250,000	250,000	184,303	65,697
Other	90,000	-	319	(319)
Total expenditures	<u>27,942,293</u>	<u>28,210,032</u>	<u>28,084,790</u>	<u>125,242</u>
Excess of revenues over expenditures	2,082,707	2,240,259	960,200	(1,280,059)
Fund Balance - December 31, 2011	<u>3,263,958</u>	<u>3,263,958</u>	<u>3,263,958</u>	<u>-</u>
Fund Balance - December 31, 2012	<u><u>\$ 5,346,665</u></u>	<u><u>\$ 5,504,217</u></u>	<u><u>\$ 4,224,158</u></u>	<u><u>\$ (1,280,059)</u></u>

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

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Salt Lake Valley Law Enforcement Service Area (SLVLESA) 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 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 and member cities. These law enforcement services are provided by Unified Police Department. SLVLESA is a component unit of Salt Lake County, Utah. Operations began January 1, 2010. The Board of Trustees, comprised of the Salt Lake County Mayor, Riverton City Mayor, Herriman City Mayor, and two members from the Salt Lake County Council, is the primary governing authority for SLVLESA. The Board establishes policies, approves the budget, and appoints officials with responsibilities for administering all funding activities and fiscal matters of SLVLESA.

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

Fund Balance Classifications – 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, and then assigned, with the remainder being reported as unassigned. The fund balances at December 31, 2012 are all unassigned.

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

Measurement Focus and Basis of Accounting – The government-wide 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 thirty days after year-end. Member fees, property taxes, and interest are considered to be susceptible to accrual. 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 is incurred.

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:

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to Basic Financial Statements

- 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 fund balance. Control of the budget is exercised at the overall fund level.
- Interim adjustments in estimated revenues and appropriations during the year ended December 31, 2012 are included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the activity or departmental level; SLVLESA's single purpose is to provide funding for law enforcement services for the unincorporated areas of Salt Lake County.

Accounts Receivable – Accounts receivable consists of amounts due to SLVLESA for delinquent property taxes and public safety fees assessed in prior years. SLVLESA has established an allowance for doubtful accounts of \$366,631 at December 31, 2012 for potential uncollectable public safety fees.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenues) until future periods. At December 31, 2012, SLVLESA recognized unavailable property taxes and public safety fees of \$537,703 and \$90,225, respectively, as deferred inflows of resources. These amounts are deferred until collection of the taxes or fees.

Change in Accounting Principle – Beginning in 2012, SLVLESA implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

SLVLESA also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflow of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. For SLVLESA, implementation of the new statement resulted in a reclassification for deferred inflow of resources for unavailable property taxes and public safety fees; implementation had no effect on SLVLESA's net position

2. DEPOSITS AND INVESTMENTS

SLVLESA complies with the State Money Management Act (Utah Code Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (Council) in handling its depository and investment transactions. SLVLESA 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 (the PTIF), certificates of

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to Basic Financial Statements

deposit, US Treasury obligations, US 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. SLVLESA considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits – At December 31, 2012, SLVLESA's carrying amount of bank deposits is \$8,453 and the bank balance is \$23,435, all of which is covered by federal depository insurance. No deposits are collateralized, nor is it required by state statute.

- **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.

Investments – At December 31, 2012, SLVLESA had a balance of \$2,491,432 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 money market securities including certificates of deposit and top-rated domestic commercial paper held by the Utah State Treasurer; the portfolio has a weighted average maturity of 68 days at December 31, 2012. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

- **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 Utah Money Management Act.
- **Interest Rate Risk** – Interest rate risk is the risk that changes 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 Utah Money Management 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.
- **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 percent 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 Utah Money Management Act and to invest in the PTIF. SLVLESA's investment policy does not limit the amount that can be held by counterparties.

SALT LAKE VALLEY LAW ENFORCEMENT SERVICE AREA
Notes to Basic Financial Statements

3. 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, these delinquent taxes, including penalties, are subject to an interest charge; the interest period is from January 1 until date paid.

As of December 31, 2012, property taxes receivable by SLVLESA includes uncollected taxes assessed as of January 1, 2012. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

4. TAX AND REVENUE ANTICIPATION NOTES

On February 28, 2012, SLVLESA issued tax and revenue anticipation notes (Series 2012A) in the amount of \$17,000,000. The notes were repaid December 27, 2012. Net interest cost was \$175,081 based on a coupon rate of 1.24%. The purpose of the notes was to fund law enforcement services provided by Unified Police Department.

On October 4, 2012, SLVLESA issued tax and revenue anticipation notes in the amount of \$4,000,000. The notes were repaid December 27, 2012. Net interest cost was \$9,222 based on a coupon rate of 1.00%. The purpose of the notes was to fund law enforcement services provided by Unified Police Department.

5. SUBSEQUENT EVENTS

In February 2013, SLVLESA issued tax and revenue anticipation notes (Series 2013A) of \$14,000,000. Interest rate on these notes is 1.14% and will be repaid during the year ending December 31, 2013 from anticipated property tax collections.

Other Reports



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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
(A component unit of Salt Lake County, Utah)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Salt Lake Valley Law Enforcement Service Area (SLVLESA), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise SLVLESA's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 24, 2013.

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 misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SLVLESA's financial statements are free of 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 SLVLESA'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.

Agui & Company, PC

Orem, Utah
May 24, 2013



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Independent Auditor's Report on Legal Compliance in
Accordance with the *State of Utah Legal Compliance Audit Guide*

Board of Trustees
Salt Lake Valley Law Enforcement Service Area
(A component unit of Salt Lake County, Utah)

We have audited Salt Lake Valley Law Enforcement Service Area's (SLVLESA) general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* applicable to SLVLESA for the year ended December 31, 2012.

The general compliance requirements applicable to SLVLESA are identified as follows:

Cash Management	Purchasing Requirements
Budgetary Compliance	Truth in Taxation and Property Tax Limitations
Other General Compliance Issues	Fund Balance Limitation

SLVLESA did not receive any major state programs during the year ended December 31, 2012.

Management's Responsibility

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

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on a general 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 with the compliance requirements referred to above. However, our audit does not provide a legal determination on SLVLESA's compliance.

Opinion

In our opinion, Salt Lake Valley Law Enforcement Service Area complied, in all material respects, with the compliance requirements that are applicable to each of its general compliance requirements for the year ended December 31, 2012.

Agui & Company, PC

Orem, Utah
May 24, 2013